A Disconnected World: The Adviser's Reality

A research study by Origo in association with the lang cat

September 2019

ORIGO x the lang cat

Origo x the lang cat present...

A Disconnected World: the Numbers

100

A change is gonna come

We think a typical firm could be **100**% more administratively efficient if systems were properly integrated, as measured by the amount of assets under administration each staff member can look after.

85

You could have it so much better

85% of firms agree or strongly agree that lack of integrations is a major cause of inefficiency in their business.

18

18 and life

It would take **18** point-to-point integrations to really change the life of a typical firm using one investment platform - 23 if they use two.

0

Two divided by zero

Not a single business process was available to our firms on a real-time, 2-way basis. None. Not one.

3

The key, the secret

Firms are routinely rekeying client data across **3** or more standalone systems.

7

Too many ways

A typical firm in our research uses **5** standalone systems in the delivery of advice, planning and portfolio management, and **2** investment platforms.

Contents

Forewords

Last year we published our white paper, *A Connected World: The Future of Platform Integrations* which looked at the importance of and challenges with integrations in the retail investment space. Our findings were that there has been much done, but there is much more to do.

As we release this new white paper to follow on from last year's, we find that there is still much to do. Our industry is full of great ideas, innovative systems and propositions which can make a real difference to clients. But these too often don't achieve their full potential because the people required to make them work – advisers, planners, paraplanners and administrators – can't make the case for adding yet more systems which don't integrate into the existing mix. The world in which they work is far from connected.

To get a handle on how big the issues of technology fragmentation and disconnection are for the people closest to the end client, we asked our friends at the lang cat to conduct some research on our behalf. Together we went into adviser businesses – big and small – and spent time investigating, measuring and assessing key processes. Specifically, we were looking for good and poor practice in terms of how integrations help adviser businesses work – or the converse where that's true. The lang cat also polled over 100 firms on their attitudes to the tech that underpins their daily working lives.

What we found was, to be honest, a bit depressing. It's clear to us that the industry needs to do more on really helping the advice profession operate effectively – not by coming up with more features and products, but by imagining itself in the shoes of the advice firm and doing everything it can to help.

I hope this paper will help platforms, product providers and technology firms understand the impacts of not having an integrative approach and will encourage advisers to make their voices heard.

ANTHONY RAFFERTY
Managing Director, Origo

Try this. Imagine you work in an adviser firm which uses seven different technologies, which speak to one another only on a basic level or not at all. When you want to get management information or create something which uses data from more than one place, you get the stapler out. And training your team is hard work as they have to get used to multiple systems.

That's normally an argument for buying a big, integrated system – but most firms don't need one of those. What they need is the kit they already use to talk seamlessly and at as close a cost to zero as possible to all the others.

In each firm we analysed, we spent significant time looking at processes and being amazed by how much productivity gain there would be if systems *did* talk. We were also amazed by the superhuman efforts of adviser back office teams. We may have helped a few administrators understand and articulate their real value to their employer; sorry about that.

In 2019, it's unconscionable that thousands of small and medium-sized businesses are expected to work in a world where rekeying across multiple systems is *just something you do*. We think that if clients had a genuine understanding of this, they would be horrified.

If we leave the industry to get its own house in order, we'll be waiting a long time. Providers and tech firms tend to prioritise what generates new business, rather than what makes life genuinely easier for advisers. The key to getting better integrated services is to be relentless and vociferous in your demands of your suppliers to take a more integrative approach. This world is disconnected in more ways than one.

To the barricades!

Enjoy the paper.

MARK POLSON
Principal, the lang cat

THE LANG CAT SAYS: NOTHING'S SHOCKING

Throughout the paper, you'll see us popping up in boxes like this one to give our thoughts. Where we do, we'll be clear that it's us – and our views aren't necessarily the same as Origo's.

For now, it's important to say that although our research was commissioned by Origo and we worked closely with the fine people there, there was no funny business. Origo let us run the research as we wanted to, humoured us when we were grumpy, and overall did all they could to ensure what you are reading now is a valid and meaningful piece of work. We stand by every bit of it.

Executive Summary

A Disconnected World follows on from Origo's *A Connected World* white paper of July 2018. That paper, produced in association with Platforum, considered the importance and relevance of integrations in the adviser software market with platforms as the central focus. Its findings are as true more than a year later as they were at the time of writing.

Whilst the business issues around integrations for providers are important, Origo recognises that the impact of the business decisions made by large organisations such as adviser software vendors and platforms are primarily felt by adviser firms. So it seemed only right to examine the issue from the adviser's point of view.

The tension between the supply and demand side in this market is acute. Suppliers are increasingly larger, listed businesses. With only 5,500 or so adviser businesses at stake and just over 25,000 advisers[1], competition is fierce.

This pressure often leads to well-intentioned yet unloved functionality developments as firms compete to have the latest and greatest offering. The truth is that most adviser clients of back office systems, financial planning toolsets and platforms, would rather have systems which genuinely spoke to one another than another piece of functionality to get used to.

And so we have a mismatch – advisers simply wanting the basics done well and an integrated, open-architecture ecosystem: small technology firms needing relationships with large platforms and confidence to make decisions on where to spend their limited resources, and large product providers, platforms and technology firms adding functionality, bells and whistles which don't solve the fundamental issues advisers face.

[1] Source: FCA, The Retail Intermediary Market 2018: https://www.fca.org.uk/data/retail-intermediary-market-2018

OUR KEY FINDINGS IN NUMBERS

We visited or spoke at length by phone to 10 adviser firms as part of the research for *A Disconnected World*, and surveyed over 100 more online. Without exception, we found that there was plenty of scope for life to get considerably more efficient if only more systems would talk to one another. We X-rayed three key adviser back office processes – new business, creation of annual client review packs and fee reconciliations – and sat with office managers, administrators and business owners. Our key findings were:

- Firms are using an average of **five** systems in the process of giving advice, building portfolios and managing clients. That's without platforms – add those in and the average climbs to seven. Add in more general systems like accounting and office software and it's 10.
- In a typical new business client journey client details are keyed at least **three** times.
- **Not a single one** of the firms we researched can access real-time two-way integration between the systems they use.
- Including one platform, **18** point-to-point integrations are required to change the digital world for a typical firm. If the firm uses two platforms, that rises to **23**. That's without office, accounting or annuity, mortgage and protection sourcing systems.
- We think a typical firm could be **twice as efficient** (as measured by the amount of AUA each administrator can look after) if systems were properly integrated.
- **85%** of firms agree or strongly agree that lack of integration is causing serious inefficiency in their business.

It's a classic small v large business dynamic – but in our industry the jeopardy for end clients is such that we can't just nod at this issue as it goes by. Firms, as we'll see, are working at a fraction of their potential as a result of an industry that treats data as a source of competitive advantage.

Methodology

There's no substitute for getting out there and sitting in adviser offices to find out exactly what's going on. So Origo and the lang cat took to the road to visit firms around the country. Each firm kindly gave us anything from two hours to over half a day. We followed a common format for our visits to try and get consistency, but at the same time it was important to let firms take us where they wanted to. A few firms preferred a phone consultation; we followed the same format and generally took between an hour and two hours on these calls.

Our agenda for each visit was as follows:

- Introduction and purpose.
- Demographics – size of firm, composition, client segments.
- Existing technology usage:
  - Back office.
  - Document storage.
  - Platforms.
  - Investment research and analysis.
  - Cashflow modelling and financial planning tools.
  - Risk assessment.
  - Others.
- Key process walkthroughs.
- General findings, frustrations and things the firm would like to see in the future.

The firms we visited were as follows:

	REGION	STATUS	ADVISERS	AUA
1.	South West England	Directly authorised	4	£150m
2.	North West England	Directly authorised	1	£30m
3.	South East England	Directly authorised	2	£135m
4.	Scotland	Directly authorised	2	£100m
5.	Central England	Directly authorised	1	£30m
6.	Scotland	Directly authorised	3	£250m
7.	East England	Directly authorised	2	£30m
8.	Southern England	Network member	20	£240m
9.	Midlands	Directly authorised	8	£600m
10.	Scotland	Directly authorised	10	£1bn

Our sample was weighted towards firms who have the ability to make their own purchasing decisions in terms of what technologies they use, and also towards smaller firms. This recognises the FCA data from 2018 which show that nearly 90% of firms in the UK have fewer than five advisers[2].

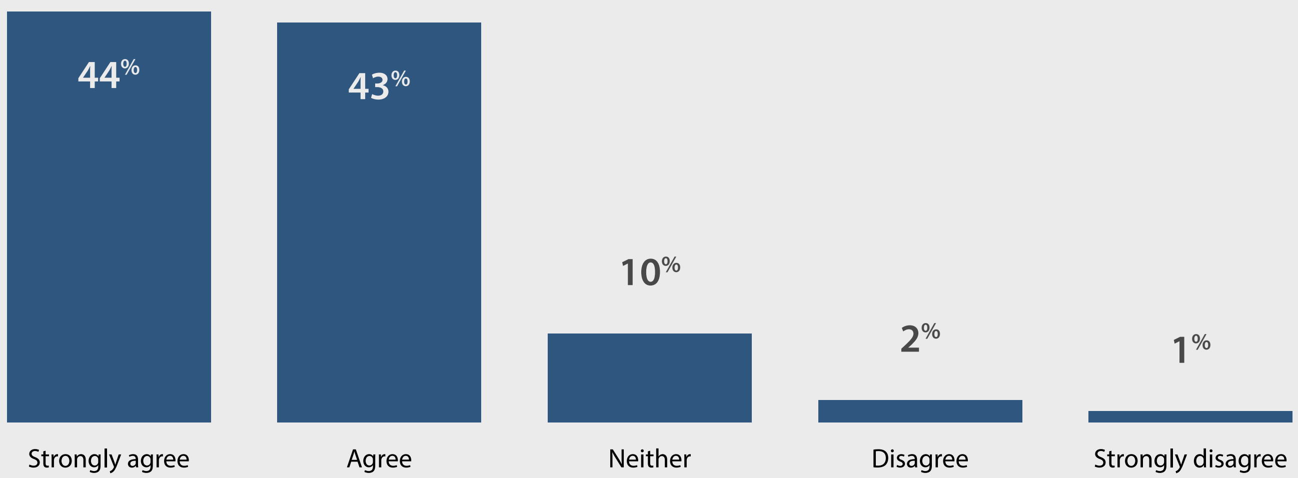
We also conducted quantitative research with 116 members of the lang cat's adviser panel to find out their attitudes to technology and where they see their business in future.

Welcome to the Disconnected World

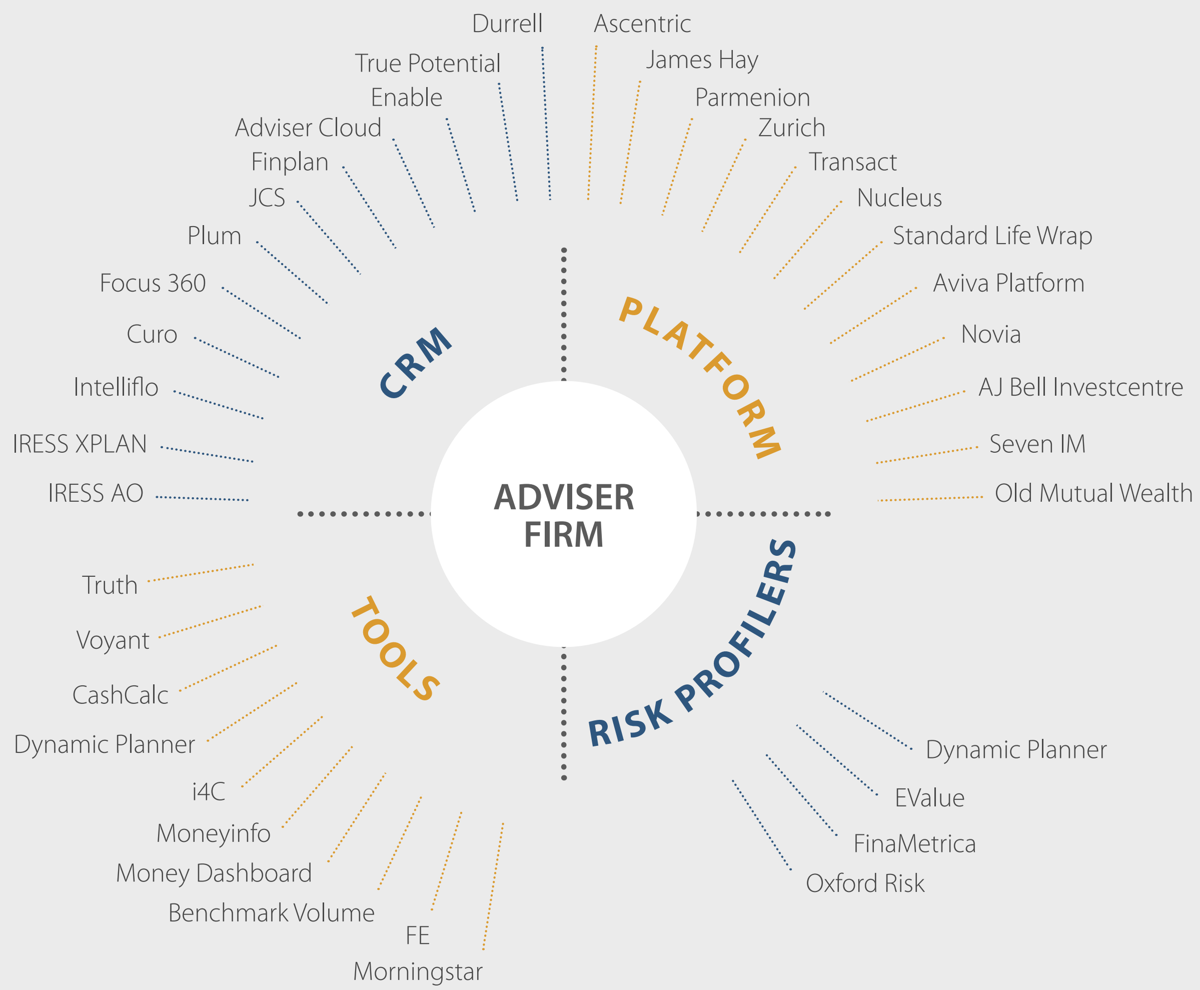
The life of an adviser firm is one of compromise. Only 42 firms in the UK have over 50 advisers; 90% have under five. Most firms, then, don't enjoy the ability to invest significant capital expenditure into technology developments.

So, the lot of most adviser firms is to accept the menu that the sector serves up to them. If you are a five adviser firm with, say, £200m under management, there is no end of companies who will take your call and work hard to convince you that their system will make your business slicker, quicker and more profitable. But when it comes to actually making that real, it's a different matter, as our survey shows.

"A lack of integration from provider to provider means my firm does way more administration than I'd like."



If you turn to page 16, you'll see an infographic which summarises the technology landscape for adviser firms in 2019. For now, here's a simplified version which gives you a sense of the sheer range of packages advisers could routinely be using.



We've only mentioned a subset of the range of systems advisers use. Yet, even with this subset, there are dozens of potential point-to-point integrations. A firm which uses Truth, Curo, Transact and EValue has as much right to expect their choice of packages to speak to one another as a firm which uses Intelliflo, Voyant, Finametrica and Standard Life Wrap.

And not every firm is just a consumer of technology: some are creators too. Although our sample wasn't long on this, firms are active in building functionality into web apps or websites to streamline various different processes – such as managing client permissions. Whichever way you look at it, it's a fascinating and varied landscape.

SURELY IT'S AS SIMPLE AS

This is where reality asserts itself, and life gets technical. Fortunately, the details of how integrations work needn't detain us here. The things that you really need to know are:

- It's perfectly possible for systems to do this; and
- It's not as easy as you think it is.

Every system has a set of standards and requirements for accepting or sending out data. Every system is different; and there are hundreds of potential integrations out there. No wonder things move more slowly than many adviser firms would like.

Over the years, the industry has reached agreement on information standards: it's these which make electronic remuneration reconciliation and valuations possible, and which sit behind systems and platforms. But there is still a long way to go before information is completely standardised.

THE LANG CAT SAYS: GET IT ON

Just because it can be done doesn't mean every product provider, platform or back office system provider wants it to be done. We have seen examples of systems making it unnecessarily hard to extract and export data, or limiting it altogether. This is the 'lobster pot' technique – designed to keep customers captive. It's a poor state of affairs and contrasts badly with systems which genuinely try to fit into advisers' lives. We think it's short-sighted and commercially self-destructive in the long run; advisers will reward those providers who make their businesses run more smoothly and punish those who don't.

HOW FIRMS BUILD THEIR PROPOSITIONS

We'll get into the details of different processes in the next section. For now, to give a sense of the diversity of propositions, here's a grid of the technologies the adviser firms we researched employ:

	REGION	STATUS	ADVISERS	AUA	BACK OFFICE	PLATFORMS	CASHFLOW /FP	RISK	OTHER
1.	South West England	Directly authorised	4	£150m	Intelliflo	Ascentric Novia Transact 7IM	Truth	Finametrica	Benchmark Volume FE
2.	North West England	Directly authorised	1	£30m	Intelliflo	OMW AJ Bell James Hay	CashCalc	EValue	Three client portals (one self-built)
3.	South East England	Directly authorised	3	£135m	None	7IM Standard Life	None	Finametrica EValue	FE Virtual Cabinet
4.	Scotland	Directly authorised	2	£100m	Curo	Nucleus Standard Life AJ Bell @sipp	Voyant	Dynamic Planner	Moneyinfo FE Dropbox Nucleus Go
5.	Central England	Directly authorised	1	£30m	Intelliflo	Transact 7IM OMW	Voyant	FE	None
6.	Scotland	Directly authorised	3	£250m	JCS	Nucleus Transact Others as legacy	CashCalc	Proprietary	FE Analytics Benchmark Volume Selectapension O&M
7.	East England	Directly authorised	2	£30m	Intelliflo	Transact 7IM Prudential OMW	CashCalc	Proprietary	FE Analytics
8.	Southern England	Network member	20	£240m	Proprietary	Zurich Others as legacy	Voyant	Proprietary	FE Analytics Assureweb
9.	Midlands	Directly authorised	8	£600m	XPLAN	Transact	Voyant	FinaMetrica	Morningstar
10.	Scotland	Directly authorised	10	£1bn	Intelliflo	Transact FNW OMW	CashCalc i4C	FinaMetrica	IO client portal

Integrations don't come for free. There is a cost in terms of setting them up; agreeing data schematics and the way information will move. There are legal agreements. There are ongoing maintenance costs and sometimes things don't go according to plan. Every integration needs a business case and that can be hard to justify against other, higher profile, developments.

And so, it's no surprise that systems sometimes don't talk to one another; or do so only in a very basic way; or if they do, can be temperamental and so become untrusted.

Indeed, we have come across circumstances where 'proper' integrations exist, but advisers choose to work on a manual basis. Their perception is that predictability trumps convenience, and that at least if something goes wrong they know it's human error. Where integrations do break down, it is not uncommon to see both system providers blaming each other for the issue: far from satisfactory for the user. Regardless, if the integration fails or is error prone from the get-go, the adviser firm will dismiss the new way, reverting back to tried and tested manual processes.

The answer might be for firms to select tools which are already integrated into a platform, or to use 'enterprise' level adviser software which has full toolsets built in. The latter is a major undertaking and tends to be the preserve of larger firms. The former is problematic – firms like to keep their independence, and it's much harder to replace a provider if you use both their product and their built-in toolset.

THE LANG CAT SAYS: DO THE RIGHT THING

Adviser software is unregulated, for the most part. There is no set of rules that governs how a firm selects a CRM, or a cashflow planning tool. There are guidelines, dating back to March 2011, on the use of risk profiling tools[3], and firms have a general duty to understand the workings of the systems they use to help them in the process of giving advice.

Platforms, on the other hand, are very regulated indeed[4], and their usage has been the subject of much discussion and regulation over the years. Indeed, we're likely to see yet more interrogation of their usage in the adviser suitability review market study programmed for late 2019 in the FCA's business plan.

Most regulation is concerned with suitability, and this section from PROD (the Intervention and Product Governance Sourcebook) which derives from MiFID II is a fine example:

> "*Distributors must determine the target market for the respective financial instrument, even if the target market was not defined by the manufacturer…The target market identified by distributors for each financial instrument should be identified at a sufficiently granular level.*" (PROD 3.3.9 – 3.3.11)

Advisers are driven to use more than one platform, and perhaps one per target client segment. Various surveys over the years have demonstrated that firms tend to have assets on several platforms and use at least two regularly for new business. In fact, one large consolidator we spoke to as part of the research for this paper has significant assets on well over a dozen platforms.

The tension between business efficiency (which drives firms to use the minimum viable number) and the desire to be compliant (which drives firms to use multiple platforms) is ongoing. This struggle is made more intense by the variable levels of integration between platforms and back office/practice management systems. As we'll see a little further on, it's tough enough to get integrations working in real world scenarios for one or two platforms; let alone multiple.

[3] https://www.fca.org.uk/publication/finalised-guidance/fsa-fg11-05.pdf
[4] Not least in their very own market study: https://www.fca.org.uk/publication/market-studies/ms17-1-3.pdf

Connected or Disconnected? An Integration Primer

Integration is one of those terms which means different things to different people. At one end of the spectrum we find systems which can 'hot update' each other.

Imagine you have two screens, one with System A open and one with System B, both with the same client record. As you update, say, a client's address on System A you see it update immediately in System B. This removes rekeying and also allows you to check that the 'join' between the systems is working correctly. This is the gold standard of integration. It's also extremely rare.

At the other end of the spectrum we find systems which can output data in a form which another system will be able to upload. It's up to the user to download the data from System A and then upload it into System B. This is fine so long as the data is in good shape; if it's not then the whole upload will sometimes fail. It can also be slow – and of course it needs human intervention. Nonetheless, it is widely used and has been for many years.

Let's set out what we mean in a diagram; as we go round clockwise from top left the level of integration increases.

CSV

Manual download from System A and upload to System B. Relies on the adviser to do the work.

Best for

Large amounts of data, such as remuneration reports or batched transaction histories.

Worst for

Regular or real-time data requirements.

Good to know

Tricky to work with if upload fails. Still depends on systems providing downloads in the right format for the receiving system to understand.

One-Way Integration

Instant real-time updates from System A to System B, but can be set to run periodically.

Best for

Relatively limited data sets such as valuations for a set of clients.

Worst for

Very large data sets.

Good to know

Can be done on an individual or bulk basis; both can be batched and scheduled for overnight runs.

Two-Way Integration

Similar to one-way except System A can both send and receive information from System B.

Best for

Systems where data will be exchanged regularly; otherwise as per one-way.

Worst for

Very large data sets.

Good to know

As with one-way, can be done on a bulk basis, or batched up with lots of individual requests.

Mirror System

The ultimate integration - both systems update constantly and in real-time.

Best for

Workflows which need similar data across two systems; everything!

Worst for

Not required where you don't want to replicate data between systems.

Good to know

This is rare. Only Fusion Wealth and its sister back office system, Enable, offer this to the adviser market at present.

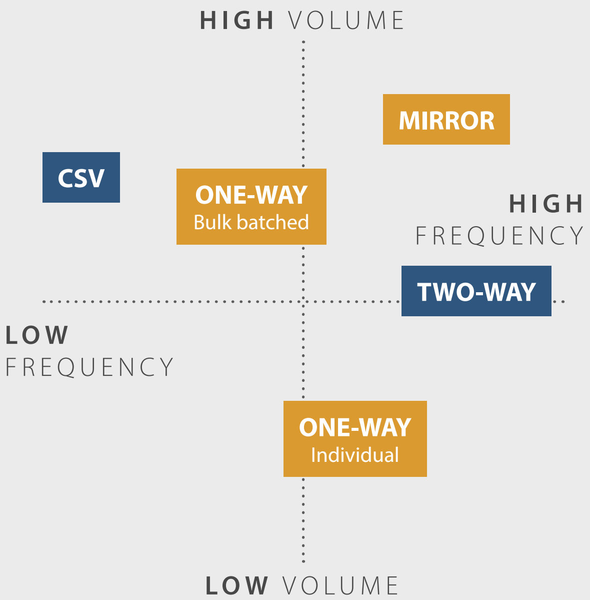
It's natural to think that the bottom left option in that diagram might be best in all circumstances, but that's not necessarily the case. The key with integrations is to get the right sort in the right workflow. So, for example, where an administrator needs to work between two systems at the same time on the same client record, a mirror system integration is great. But where most work happens on (say) a back office system and data only needs to be updated on a client portal every so often, a one-way integration that's triggered by the adviser or scheduled would work just as well and be much easier to implement.

It comes down to the volume of information you're sending, and the frequency on which you wish to send it.

Let's plot volume against frequency to illustrate:

In terms of *how* systems talk to one another, there is an entire industry dedicated to that and most of it is beyond our scope here.

However, it's important to say that even where data is being shared between systems in the most commonly understood modern method (via APIs or Application Programmable Interfaces), security remains a key concern. Special software certificates or keys are generated by the system which holds the data first, and the 'visiting' system uses these to show it is who it says it is. These need careful management – once again, integrations need to be well planned, well managed, and taken seriously.



THE LANG CAT SAYS: GIVE PEACE A CHANCE

Just having an API has become a badge of pride, but it's not much use by itself. You need to be able to access it to either send or receive information or both. Providers know this, and they also know that she who controls the data, controls the world. So we have seen some software providers in particular weaponising their APIs commercially - looking for commercial rewards for providing access to their API set. In some cases this amounts to significant sums. If you are a platform, say, looking to integrate with six different back office systems, four cashflow modellers, two investment analysis systems and five risk modellers, and they all want paid, then you will naturally pick and choose who to work with. The loudest voice is heard the quickest; it follows that the 90% of firms with five or fewer advisers will find it hardest to influence development agendas.

And that's what's behind – at least in part – the too-slow adoption of API-based integrations.

Interrogating the Impact of (Dis)Integrations

And so we come to the meat of the matter. As you may remember, we visited 10 firms to audit some key processes – not to find out what they were doing wrong or right, but to find out how the technologies the firms used either improve their efficiency or detract from it.

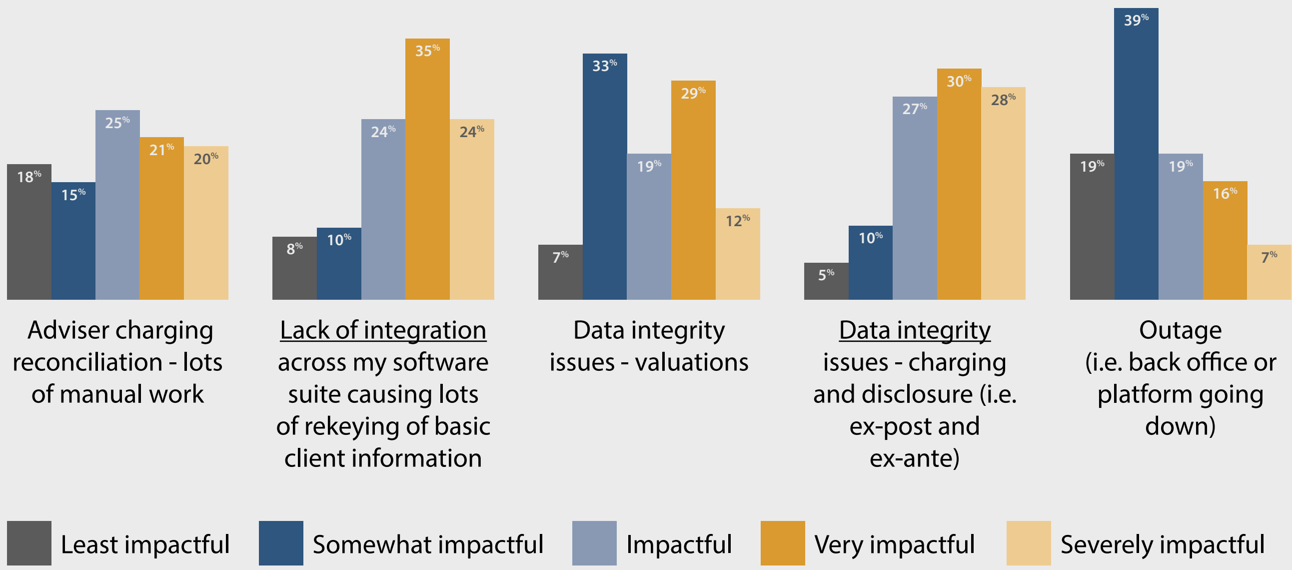
The processes we looked at were:

- New business.
- Preparation of annual client review pack.
- Fee reconciliations.

In this section we'll look at each process and try to identify what an optimal experience would be.

When we include the multiple platforms employed by each firm, we get a typical landscape of around six or seven systems which need to integrate with each other to a greater or lesser extent.

With so many systems in use, it's no surprise that firms are exposed to a range of technology issues on a regular basis. The chart below shows some of the key areas firms who responded to our online survey highlighted as issues, along with a ranking of importance where one is least impactful and five is severely impactful. The two most crucial areas from our sample are lack of integration, and data integrity for charges and disclosure – two sides of the same coin.

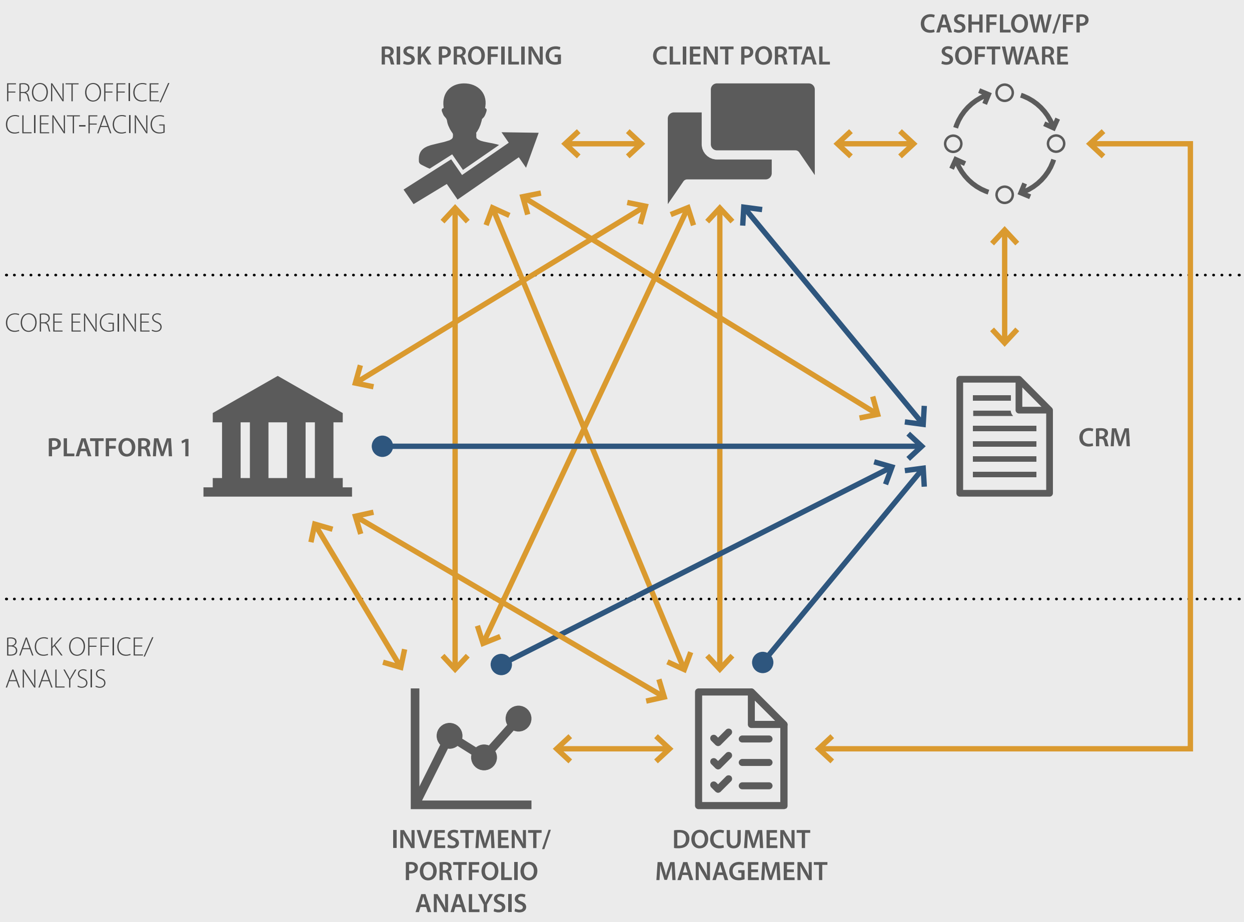


Also no surprise is that the number of integrations required to really improve things for a firm is considerable. This infographic gives a sense of how integrations work for a representative sample of our firms at the moment.

We have split the various systems into front, central and back office – we acknowledge that systems like IO and XPLAN are often referred to as 'back office', but we see them fulfilling a much more central role than pure data handling in the back.

The **blue** lines show where advisers are using integrations – not necessarily where they exist, but where the firm finds them usable and useful.

The **gold** lines show where advisers are rekeying, or downloading/uploading documents manually.



The centres of gravity, then, are platforms and back offices for most firms. Front-facing software, which is sometimes exposed to the client, includes risk profiling, client portals (which may be third party or provided by the CRM or platform), and cashflow planning. Pure back office includes portfolio analysis tools, document storage and management and call recording.

Note that few integrations with the ancillary systems are well used: rekeying and human intervention are just the way things are done

There's meant to be an integration between * and ***, but when we tried it it didn't work and to be honest we're used to saving stuff down and uploading it anyway. You still have to key data into both, so it's as easy not to bother.**

QUALITY COUNTS

We find that adviser firms do rely on the integration between platform and back office (though this varies hugely in scope and quality), but most of these other third-party systems are used on a standalone basis, even where integrations have been put in place.

In terms of what kinds of integrations our firms use, all are either one-way integrations or CSV downloads and uploads, mainly between platform and CRM. There are no real-time two-way integrations in place.

The implication of this situation is as follows: an administrator in an adviser office needs to key data into seven systems. She needs to be able to produce output from those seven. Add to this expertise in phone systems, Microsoft Office or similar, and product provider systems, and it's clear that administrators should be getting paid much more than they are.

We found this level of inefficiency to be endemic in every single firm we visited or talked to, regardless of specialism or size. We are aware that there are firms who have made very tight integrations work (often users of Fusion Wealth and Enable which are designed with real-time two-way integration); we didn't meet any of those on this exercise.

Our sample size for this qualitative exercise is small, and we in no way intend to speak for the individual practices of advisers reading this. But whatever your individual experience, we hope you'll agree that the state of usable integrations isn't where it could be.

With that in mind, we have designed an integration target operating model (TOM), which you can see on pages 29 and 30.

THE LANG CAT SAYS: GO HARD OR GO HOME

Suppliers of the major systems reading this may well point out how there are more extensive integrations in place. But that doesn't matter if advisers don't perceive a benefit. After conducting this research, the lang cat's biggest take-out is that integrating a few fields in certain circumstances is doing more harm than good. It is very tight integrations which really make a difference; lighter or limited integrations give marketing bragging rights but don't achieve much. Naturally, these are the hardest and most expensive to do – but no-one said it was going to be easy. For the moment, this picture is a mess. If we showed how the industry works to clients, they'd be appalled.

Three Key Processes

The fundamental approach of our research was to try and move beyond the – understandable – emotional responses advisers have to software by auditing three key processes inside their business.

This was an instructive and revealing approach, both for us and the firms themselves in some cases. There was more than one occasion where a business owner listened in horror as his office manager went through the travails of one process or another.

It's not great, is it? Are others doing it better?

The processes we decided to audit were:

- New business.
- Preparation of annual client review pack.
- Fee reconciliation.

We'll look at each process in turn briefly now. Every firm we visited had its own quirks in how it tackled different issues. So rather than offering 10 different perspectives on each process, we'll look at which systems are in play and offer some observations in the round. To give some more colour, we've also selected one adviser firm to profile in depth in the next section on page 25.

1. NEW BUSINESS

This is a crucial process for many – but not all – firms. Indeed, one or two of our research subjects write very little new business – maybe one or two cases a month – on the basis that their proposition is to look after a limited number of clients very well indeed. As a result, the pain that might be felt by an adviser who is very active on client acquisition simply doesn't register with them.

But for those who do put significant new business through in any given month, the experience is very mixed. Routinely, firms are touching half a dozen systems. Even the largest firm we visited, which has 20,000 clients and several hundreds of millions of pounds in assets under advice, is using four different systems (for the record, a proprietary client management system, a cashflow modelling system, a platform and a major investment analytics system).

We're used to it, but it's slow. If one system isn't behaving, then we can only go at the pace of the slowest.

Revisiting our earlier schematic of the main systems firms use, let's look at which are pressed into service when a new client agrees to join an adviser.

In this case, we can see that virtually every system an adviser touches is being used here. We've assumed the client portal isn't; that most probably isn't true for some firms.

So six systems are at play, and as we saw on page 16, the integrations between them aren't necessarily all they could be.

Our observations on this process are as follows:

1. The difference between efficient and inefficient firms (without wishing to sound pejorative) is in the approach to systems usage. Firms who select one system (usually the CRM) to be the 'golden source' of truth, tend to experience less friction.
2. However, this CRM-centric approach doesn't work for financial planning-centric firms, where the softer information which builds the financial plan sits less comfortably in a CRM than it does in a financial planning or cashflow tool.
3. Too many advisers don't trust integrations; they doubt how much time they would save for new business. They are also sceptical of the benefits of automation compared to the effort required by a skilled administrator to type in the data.
4. Document storage and communication with clients remains crucial – we routinely see core information still being sent by unsecured email.

We identified seven key areas where greater integration could be of benefit to firms:

STEP	NOTES
Client pre-work for first meeting	Should be pre-populated into financial planning/risk management software from back office initial client record. Ideally the instruction should be shared from the back office without the need to log in to the other system.
Client financial planning information entered	Should be immediately shared/shareable from either the FP software (such as Voyant or CashCalc) over to the CRM, or the other way around. No rekeying should be necessary.
Valuations of existing business	Should flow through automatically to the CRM from providers based on unique client identifiers to make production of recommendations timely and accurate.
Suitability report and recommendations produced	All details should be pulled automatically from the CRM to the platform illustration tool; the suitability report itself and illustrations should be held automatically in the CRM and be searchable.
Client set up on platform	The instruction to set up the client should share from either the CRM or the platform illustration tool to the platform new business function; confirmation and account details should be returned to the CRM[5]. The platform should trust the CRM's anti-money-laundering. The technology is in place for the whole process to exist purely with digital signatures; any wet signatures are as a result of provider requirements[6].
Status updates for payments and transfers	Tracking information as the account moves from quote to account opened should be created by the platform and returned to the CRM, as well as any client portal the adviser is using with the client. Information from LoA should be returned digitally.
Confirmation of money received	Tracking as status updates.

In a perfect world, these common processes would be seamless across the twenty or so adviser platforms, the half dozen commonly used back office systems and the eight or so key financial planning and risk assessment systems. However, as mentioned earlier, if we were to ask each system provider to spend valuable development time on dozens of different integrations, we might not like the answer that came back.

2. PREPARATION OF ANNUAL CLIENT REVIEW PACK

Multiple surveys have shown that the annual human interaction between planner and client is crucial. The advice can be sub-optimal; the returns can be lacklustre – but that human contact is fundamental to client satisfaction.

With that in mind, most of our firms spend considerable time putting together client review packs. Some of that is to do with giving a great experience; some of it is about trying to pick their way through MiFID II ex-post disclosure, which is a subject for another day.

The systems in use here for most firms are as follows:

This time we have five rather than six systems involved, but the issues are much the same. Looking at packs from a number of firms, we have seen a huge variability in the standard of presentation to the client. Some firms put considerable time into the visual element of their reports; others have coached their clients to expect different disclosures from different parts of their portfolio.

One firm we spoke to has – by reducing the size of its review pack and simplifying the data set it uses for client reviews – cut its production time per pack in half from seven to three and a half hours. The eventual target is to get down to between one and two hours per pack.

Clients can get used to anything (although there is a wider discussion to have about the importance of presentation in this sector), but what concerns us here is the amount of time firms are spending putting together even quite basic client reports. Time spend of up to seven hours or more per pack cannot possibly be economic.

I don't think our clients mind too much, they know that different info comes from different places, and we tot it up for them. Plus no-one really reads these things. If I could change one thing it would be MiFID disclosure, which causes us all sorts of pain.

Our main observations were as follows:

1. There isn't one single source of truth for client reporting. Often 'life' data will come from the cashflow planning/financial planning system, portfolio values from the platform, asset allocations from FE or Morningstar, and fee details and other standardised information (including life policies) from the CRM. These are then stitched together as best the firm can manage; often with different fonts and standards of presentation.
2. The process takes far too long; it should be doable in no more than an hour per client.
3. Differing standards in MiFID II reporting are causing significant upset here.

We identified three key areas where greater integration could be of benefit:

STEP	NOTES
Combining of platform and non-platform business for holistic reporting	Should be straightforward with integrations between platform and CRM. But data 'breaks' occur too often and so many firms prefer a manual route.
Goal-based planning reflected in report	Can usually only be done from the financial planning system; no way of tracking progress against goal from any other system and doesn't tie into reporting from the CRM.
Look and feel coherence	Each system has its own style sheet and unless the firm can white label each part to the same standard, reports can look sub-optimal.

Perversely, the more firms try to do the right thing and split client assets across portfolios and providers to optimise outcomes, the harder all this gets. There will always be some degree of complexity, but it should be considerably easier to create a good experience for clients.

3. FEE RECONCILIATION

This is the simplest process we audited – but it is also the one which causes the most friction in the back office.

In principle it's simple: the platform (in our example here) pays various aggregated amounts to the adviser based on agreed adviser charging. The payments need to be reconciled against client records to ensure everyone has paid the right amount, so the platform also sends a data file to the adviser firm detailing each line item of the payment.

In the CRM, an expectation is set based on valuations and agreed levels of adviser charging. In a perfect world the expectation and the payment match up, and that's the reconciliation done ready for feeding into regulatory reporting.

Only two systems are in play here – of course if the client has assets with more than one provider, these are needed as well.

We heard many tales of woe here. This isn't like the other two processes; the issues really come down to one thing, which is the mismatch between the expectation set on the CRM and the data supplied by the platform.

One firm had major problems with a platform which had gone through a recent replatforming; the data it was supplying simply didn't reflect any reasonable expectation. This firm had one reconciliation report which was in the region of 1,200 lines long; 700 of them didn't match: a far from irregular occurrence.

Another firm we looked at has created a complex series of its own spreadsheets for these reconciliations rather than depending on a system. The business owner challenged us during the research interview to guarantee him that moving to a commercially available CRM for this would be more reliable and less risky than his current approach. We found it hard to do so.

The answer here is in the quality and frequency of data transmission between CRM and platform provider. We would like to see these organisations working much more closely together – not for commercial advantage, but to ensure better outcomes for adviser firms and their clients.

I don't mind doing reconciliations, I really don't. It can be quite satisfying. But when you are spending days, line by line, matching up 75p here and £1.12 there, it's soul-destroying. I'm three months behind because I just can't face doing it.

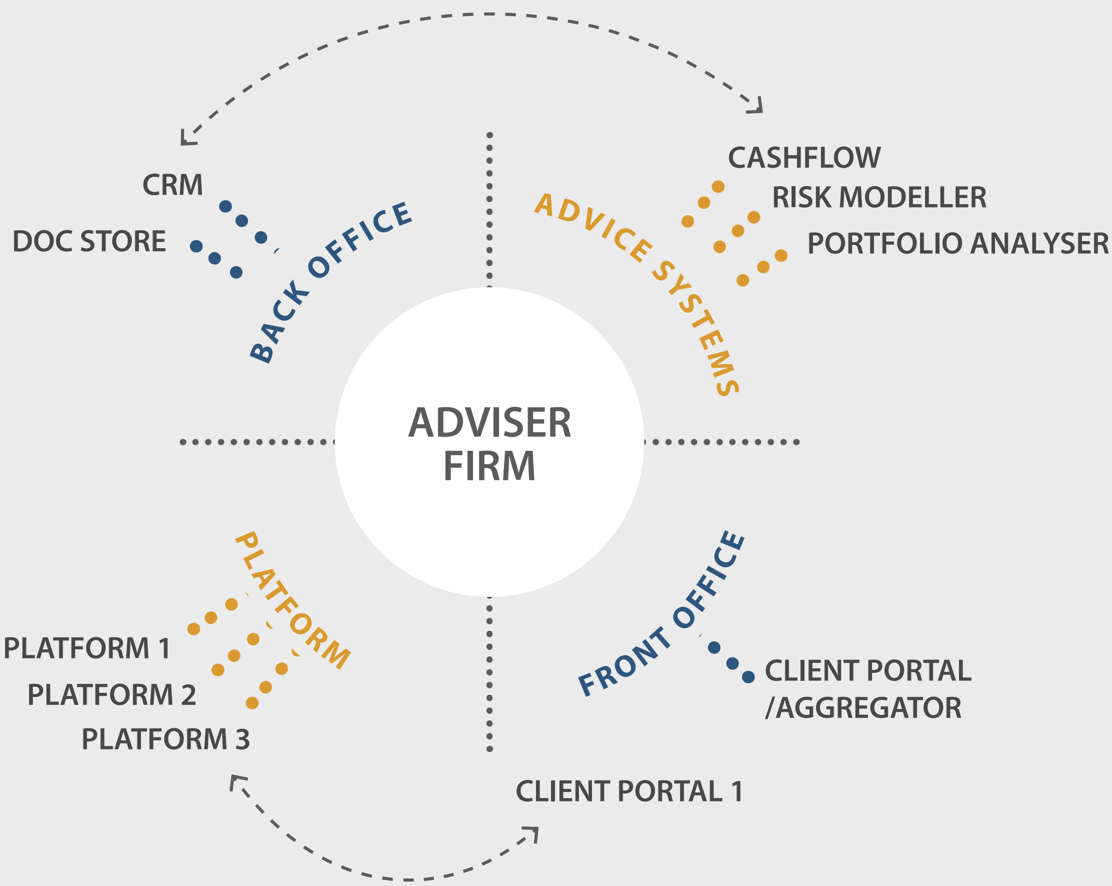
The Story of a Disconnected Firm

We've looked briefly at three key processes, based on our fieldwork and research questionnaire. But this is necessarily in the abstract: every firm is different.

So, to add a little more realism to proceedings, we thought we would deep dive into one of our research firms and share their experience.

This is a firm which has financial planning at its core. It has two main advisers on its retail side (it also does some workplace), good in-house paraplanning support and a relatively large administrative function.

Here's the technology landscape for this firm:



The diagram shows the 10 major systems this firm touches, split slightly differently from before. There are only two integrations.

Our firm uses one CRM system as the heart of its organisation; a client record-keeping and document management system as well as for regulatory reporting and fee reconciliation. It follows that the greatest gains for efficiency are when systems integrate fully with that CRM.

This firm's experience is mixed. For example, the integration between one of its platforms and its CRM has been only partially successful for them; it sends data between the systems by CSV file but even that needs amending before the CRM will accept the platform valuation file.

The experience *within* systems can be frustrating for firms too. This CRM, for example, has an integration with a document production system. This works fine, but the integration doesn't go the whole way; the firm still has to create mail merges in a third system.

On the next page you'll find a very abbreviated version of what this firm goes through to tackle each of the main processes we're covering in this section.

THE LANG CAT SAYS: DON'T BELIEVE THE HYPE

In any situation where firms are having a frustrating time, software vendors will suggest that actually things work better than the users realise; they just don't know how to do it properly. With this firm we don't think that's true; but it might be. It doesn't matter. The experience can and should be better.

NEW BUSINESS	ANNUAL CLIENT REVIEW PACK	FEE RECONCILIATIONS
• First data entry is into CRM. • Factfind is paper-based. Administrators type into Word, and then into CRM. • LoAs are wet signature, sent via post. • LoA information manually added to CRM. • Client completes risk questionnaire pre-meeting online; output documents are saved to CRM. • CRM can feed cashflow planner basic name/DOB data but this is just one way. • AML conducted on CRM. • Client rekeyed to platform for illustration. • Client can access platform's client portal for downloadable regulatory information. • Client moved electronically to New Business, and account number issued. • Client account number manually updated on CRM, with no automated tracking.	• Valuations taken from platform. • Other products taken either from CRM via Origo valuation link, or direct from provider (sometimes by paper). • Financial planning information from CRM. • Cashflow plan from cashflow modeller. • All re-entered into MS Office for branded annual review pack.	• CSV file downloaded from platform. • Amends made for formatting. • Upload to CRM for reconciliation. • Errors and mis-matches handled manually.
Time spend: up to 3 hours per client.	**Time spend:** up to 6 hours per client.	**Time spend:** varies hugely by size of reconciliation; can be days.

Based on our discussions, this isn't an unusual set of circumstances for small to medium firms who have stitched together their own range of technologies. Based on our observation of this firm, we think it could cut its administrative effort roughly in half if its systems all talked to each other. There is roughly one support member of staff to every £10m of assets under advice in this business; that figure should certainly be closer to £20m if not £30m. In a time when the demand from clients for advice is so strong, that feels like something good to aim for.

To put it another way:

The advice industry could be 100% more efficient if systems talked to one another.

Conclusions: Connecting the Disconnected

And so we draw towards the end of *A Disconnected World*.

We have looked at the adviser technology landscape, profiled some key processes, looked behind the scenes in detail at one firm, and explored some of the technological issues.

Our finding is that everything is not working as well it should be; something that the reader knew at the start of this paper and we knew before heading into the field with the lang cat.

It is all very well to say 'something must be done' to reconnect this disconnected world, but what might that be? We will leave you with some thoughts on how things might improve in the months and years to come.

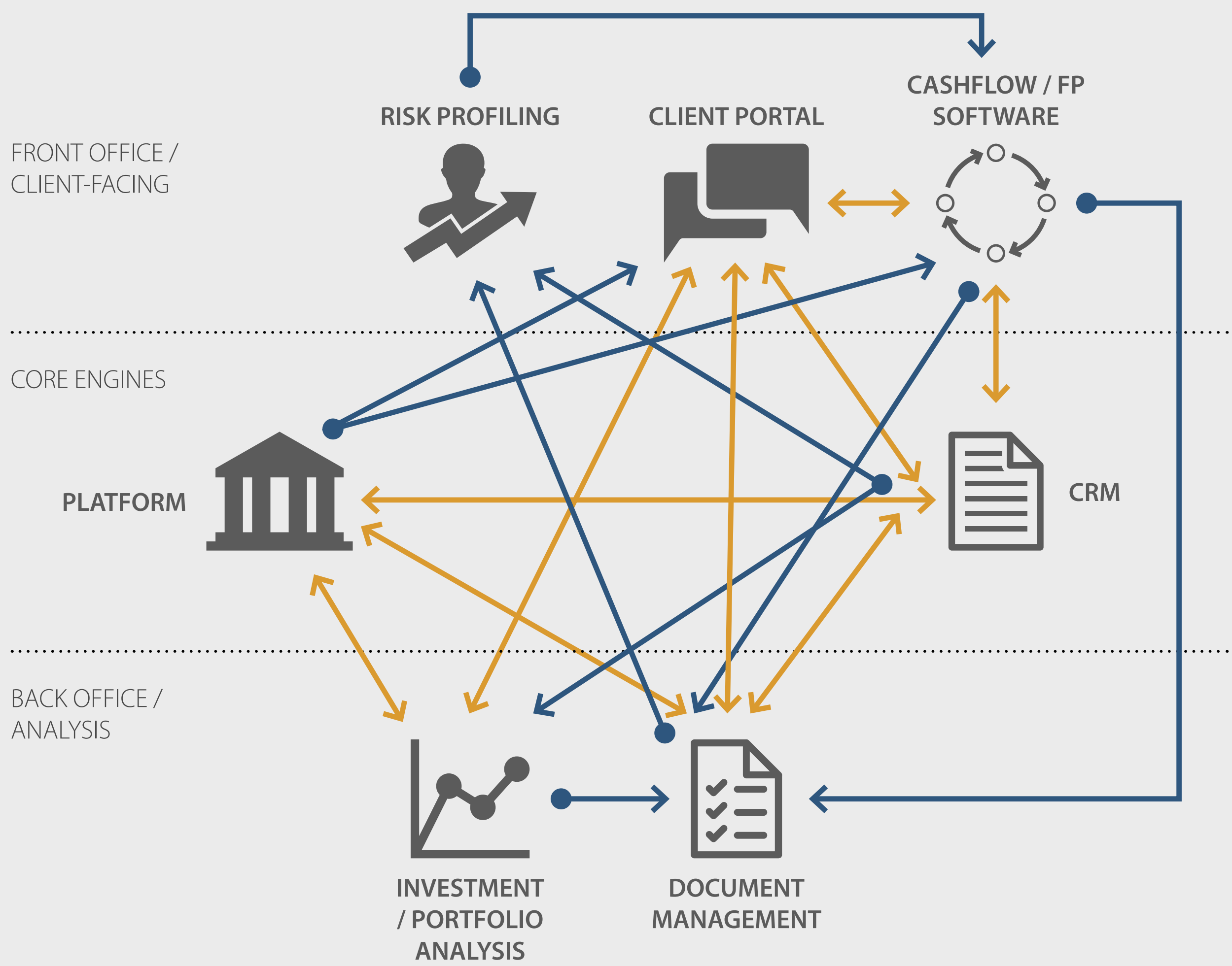
THE ORIGO TARGET OPERATING MODEL

First, we'd like to present you with the Origo target operating model (TOM) for the areas we've explored in this paper.

You can see a detailed version of this overleaf, and a graphical version just after that.

In our TOM, we show what type of integration we think should exist between different systems. We deliberately ignore technical and commercial issues here – this is a target model, not reality immediately. But there actually are relatively few technological barriers to achieving this: it's about the will (and the business case).

	Platform	CRM/CRM	Cashflow/FP	Investment Analytics	Client Portal	Document Management	Risk Profiling
Platform		New business submission Fee reconciliations Transaction history Valuations Annual reviews	Client details Valuations Transaction history	Client details Portfolio details	Client details Documents Rebalance/trade permissions	Client details Automatic report saving	Client data to create record on RP software
CRM/CRM	New business submission Fee reconciliations Transaction history Valuations Annual reviews		Client details Outputs	Client details Portfolio details	Outputs/ documents Client details Rebalance/trade permissions	Client reports Financial plans ID documentation	Client data to create record on RP software RPQ outputs
Cashflow/FP	Client details Valuations Transaction history	Client details Outputs			Client details Outputs/ documents	Financial plans	Client data to create record on RP software RPQ outputs
Investment Analytics	Client details Portfolio details	Client details Portfolio details			Portfolio performance Portfolio details	Portfolio reports	
Client Portal	Client details Documents Rebalance/trade permissions	Outputs/ documents Client details Rebalance/trade permissions	Client details Outputs/ documents	Portfolio performance Portfolio details		Personal documentation Reports and plans	
Document Management	Client details Automatic report saving	Client reports Financial plans ID documentation	Financial plans	Portfolio reports	Personal documentation Reports and plans		RPQ outputs
Risk Profiling	Client data to create record on RP software	Client data to create record on RP software RPQ outputs	Client data to create record on RP software RPQ outputs			RPQ outputs	



The reader is forgiven for finding this – at this point in the report particularly – impenetrable.

In fact there are a potential 18 integrations which would be necessary to genuinely improve the administrative experience of advice-giving in the UK using one platform. If you use two, increase that to 23. And that's without life company extranets, protection, annuity and mortgage sourcing systems.

A POTENTIAL SOLUTION

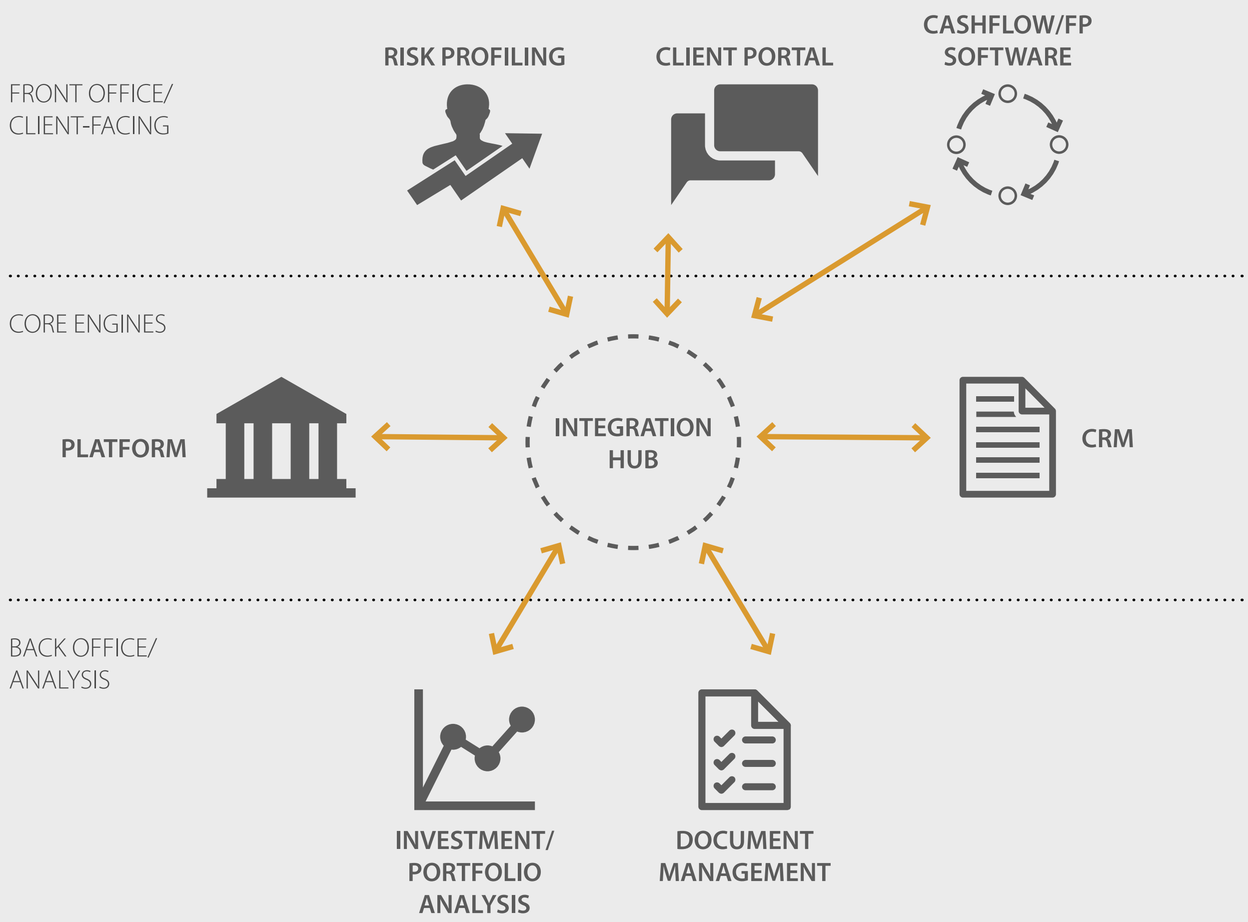
A key inhibitor of improving things is the sheer number of integrations. If we were to include the number of providers of each type of service in the map above, we'd need to account for over 20 platforms, six main back office systems, four or five cashflow systems, and so on. The prospect of trying to stage-manage 120 point-to-point integrations between platforms and CRMs alone is overwhelming.

But that isn't the only way.

In the same way as the industry has agreed standards for valuations, illustrations and transfers, we can agree how data should be shared between systems and provide a means to make those connections work for you, your clients and technology providers of all sorts. We think that as an industry, we should work towards integrations which are:

- **Sustainable** – integrations work irrespective of which version or format a system uses.
- **Cost-efficient** – system suppliers only need to integrate once to many partners.
- **Effective** – performance and errors are monitored and addressed in a timely fashion.
- **Wide-ranging** – integrations give maximum market coverage to give adviser firms as much flexibility as possible.

Done well, the spaghetti-like result of the maps you have seen throughout this paper falls away and life gets much simpler.



We think this version of the world is one which your firms and your clients would recognise as one where companies are working together to best serve you and your clients.

Those of you who know Origo will be aware that we have a vested interest here. We offer our Integration Hub, which takes exactly this approach. The purpose of this paper is to frame the issue, not to promote Origo's products and services; we stand by that. However, we have identified this as an issue for some time, and have taken our own steps to try and solve the problem.

Origo and the wider industry have worked for many years to get systems to talk to one another using defined protocols. But there are now so many systems that a new approach is needed to progress things in a meaningful way.

Our vested interest makes it obvious what our angle is – and we hope that we have called it right for the future. A centralised online facility for integrations, which can handle the needs of both small and large tech providers and platforms, is a valid way forward. Time and developments across the industry may well prove that it's just one of many ways forward. Technology moves at pace; the thing that brings us all together might be something we haven't even imagined yet.

One thing is undeniable. The version of the world we have now where everyone races to show the number of integrations they have simply isn't working – and if it was going to work it would have by now.

We think it can be put simply: what advisers do is create ecosystems and coherent experiences that deliver great, reliable outcomes for clients. Technology should support that; not hinder it.

All we're saying is that their – your - disconnected world could be so much better.

Thanks for reading

Origo and the lang cat

What Advisers Said

We've given you a magic wand. Setting aside all the fun stuff you'd do with this, what's the one new piece of technology or the one change you'd make in the context of technology that would make your life easier in the financial advice profession?

Being able to move data freely when switching from Provider A to Provider B for whatever reason.

Rich integration between all of the tools and the providers. I think this would be a game changer in terms of selecting software and making processes more efficient.

Back office integration with platforms and providers. It's far too manual still which amazes me. If platforms and providers could automatically feed info to our back office system we could reduce our admin work by one third at least. So by that I mean entering plans, funds, contributions, withdrawals, buys, sells, switches, unit holding history, fund holding history etc. The whole lot. The info is all on the platform transaction listing so in my simple mind it's just a case of transferring it over, but it's never been done well and across a sufficient number of providers. If it can be it will change financial advice firms forever and possibly be the biggest change I've seen to advisory practices in 20 years.

All tech speaks to all other tech and data can be shared when we give permission for it.

Something that could produce all of the past performance data, risk profile, asset allocation and charges information for our annual reviews, in the format we want.

Truly efficient and useful cashflow modelling tool that pulls through client details and values directly from the back office system.

Software to produce a client review report across all financial areas including protection, pension and investments.

…and 68 more comments along those lines…

www.origo.com

A Disconnected World:

The Adviser's Reality

A research study by Origo in association with the lang cat

ORIGO x the lang cat