

Getting back to basics

By [Pierre Durand](#)

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The hype surrounding the next big thing in the financial services industry is taking attention away from what is truly of importance - the core process of financial planning and advice.



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Although disruption may well be on its way, we've gotten so distracted with what is to come. I am not saying this in itself isn't important but we have to revert to some of the basics. I believe there is going to be a "let's just get back at what we are good at doing" notion.

Regulation on the horizon

There are a number of changes that will affect the financial services industry. Regulatory changes are set to be at the top of the agenda list for insurers as they have to ensure that their businesses fully comply with the key amendments impacting the entire financial services industry.

These changes will have an adverse effect on the Retail Distribution Review (RDR), Twin Peaks, Policyholders Protection Rules (PPRs) amendments, the Protection of Personal Information Act (POPI) as well as the Treating Customers Fairly (TCF) outcomes.

Changes will also be noted in product innovation, technology and data. Traditional insurers will be required to put in more effort to catch up with start-up disruptors who are progressively using technology and data analytics tools for policy management and administration, amongst other innovations that challenge the traditional insurance model.

Combining technology and data as an enabler equates to predictive financial planning with an artificial intelligence aspect, which will be phased in over time.

Product savvy

Irrespective of an organisation's size, it will have to find an adequate manner in which to react to the coming disruption. In my personal opinion, smaller brokerages would have to opt for an environment wherein they would be able to piggyback on bigger organisations to leverage the costs of dealing with the changes.

Amidst the changes to come, financial advisors will have to make some adjustments to truly stay ahead of the curve. These will place them in a position in which they, regardless of the impact of the changes, will be able to afford clients the same level of quality service.

What I have taken note of in the industry thus far is that quite a number of individuals are product savvy so they understand financial planning products. What may have to change would be educating themselves on the automation processes which are part and parcel of the coming disruption. Unless they start upskilling themselves around leveraging some of these disruptors, it will become more and more difficult for them to keep up. If you are the middleman between product providers and the clients on this journey of increased direct product access and the direct understanding of this and you are either not keeping up with the changes or slightly ahead, you will get left behind.

Robo-advisory

A disruptor that has already made inroads into the industry is robo-advisory. According to Deloitte, in an article titled *The Expansion of Robo-Advisory in Wealth Management*, there are close to a 100 robo-advisors in 15 countries, all of which have different offerings. "In the medical space for instance, this technology is used as an enhancement tool as opposed to a replacement feature. When medical practitioners need to make a diagnosis they make use of the AI robo-advisor which ensures that they make an accurate diagnosis based on more information than the practitioners themselves can digest. I see the same thing happening in the financial advisor space. I think we need to look at these types of innovations as amazing leaders to get us to a place where we are able to give clients really sound advice for their needs.

Sharing economy

A change worth noting is however the concept of a sharing economy within the financial industry. I think it will be making in-roads by 2020. If we put this into a financial advisor space it would be great for clients. Up until now an individual would have to pick a financial adviser through word of mouth or having a corporate send one out. If there is a scoring mechanism in which you know the last 50 encounters with this particular advisor has been fantastic and people are raving about them, there is a pretty good chance you too will have a good experience. It would be amazing if this kind of thinking and visibility could be made a part of the financial industry. I personally think we are going to see more of it.

If financial services providers embed correct processes within the organisation, the coming disruption will simply be an enhancement to an already existing system. It isn't divided into lower, upper or higher market segmentation; it is customised for that specific individual. If we have artificial intelligence that can diagnose an individual's financial position and needs within a matter of minutes if not seconds, then that could have a positive impact on client satisfaction.

The show must go on

To adequately prepare for the possible backlash of any technological inceptions, organisations will have to manage this on two levels. On a client level, as long as you manage the experience clients go through and maintain a certain level of

transparency; this will continue to build trust. On an advisor level, where you have an aging pool of advisors across the country, handling any backlash would be dependent on how their knowledge intake and upskilling initiatives are managed.

The coming disruption is not a negative one, it is one that ought to be embraced but in such a manner that it doesn't overshadow the day-to-day business of an organisation. The show must go on, one need not keep one's head in the sand, but one should also not keep one's head so high up in the clouds that the looming idea of disruption disrupts the current state of affairs.

Disruption is on its way, we need to be prepared. We need to get back to basics. Don't get me wrong, it's not that they are not going to disrupt our industry. It is crucial that everyone is aware of these things and embraces them as they come on board, but we should rather use those as an enhancement to the basics. This change is more of a mind-set shift and a knowledge probing one, wherein individuals within the financial services industry will have to touch up on the processes and core segments of their various product offerings. Let us not worry about all the bells and whistles. Let's not get lost in all the noise. Let's get back to the basics. The process has not changed. Regardless of what is on its way, the processes will not change.

ABOUT THE AUTHOR

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