Broadridge®

Onboarding: The Imperative to Improve the First Experience

Create a customer-centric model that inspires prospects to sign on and stay on.

Ready for Next

The wealth management industry is in the midst of considerable disruption. User-friendly, online robo-advisors and self-service capabilities have increased the imperative for wealth managers to leverage technology to simplify and improve the client experience, especially for onboarding—the process of opening and funding accounts.

However, too few firms automate tasks that should be digitally enabled and as a result, they run the risk of missing opportunities and falling behind.

Onboarding is particularly important because it is the client's first meaningful experience of the firm in action; but it is often hindered by confusing forms, a lack of transparency and a lengthy time to completion. Advisors say the process is too manual, has too many handoffs and is prone to frequently changing compliance requirements. Investors also complain that it's an onerous, outdated and time-consuming process.

Polling data reveals that the vast majority of firms have prioritized improving the onboarding process as top of their technology wish list. So, what makes a great onboarding platform? Investors want not only the simplicity and ease of low-cost automated investing (i.e. robo-advisor) offerings but also the "bells and whistles" of a full-service advisor. Wealth firms want a better client experience but, more crucially, want a process that funds accounts faster.

Like many important technology-based decisions, executives must first answer the perennial question: Build or buy? This paper assesses those options and finds that a growing number of wealth managers are partnering with vendors to join shared onboarding platforms in order to upgrade their onboarding technology, benefit from a network of users and mutualize the cost of keeping up with regulatory changes.

TECHNOLOGY TO SIMPLIFY AND IMPROVE THE CLIENT EXPERIENCE

FALLING BEHIND: INSUFFICIENT INVESTMENT

Over the past decade, wealth management firms have faced a raft of changing competitive pressures, from robo-advisors to fee compression, that have prompted industry cost cutting and consolidation.[1] While wealth management has been "one of the least innovative areas of banking and the slowest to adapt to the changing environment,"[2] investors are now demanding more personalized advice in addition to the benefits of high-tech interfaces, which call for additional capital expenditures in contemporary and competitive technology.

For wealth management firms that use technology effectively to serve clients, there is a huge opportunity: A recent Roubini ThoughtLab survey forecasts household assets to rise $89 trillion—from $207 trillion to $296 trillion—in 25 top world markets, pumping about $50 trillion into the wealth industry by 2021.[3] At the same time, over the coming 40 years, the children of baby boomers are forecast to inherit $30 trillion of wealth[4] and they want their financial advisors to be backed by cutting-edge technology.[5] With so much at stake, it makes sense for wealth management firms to invest now in technology to improve the onboarding process to be more appealing to Millennials and "Generation X-ers".

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ONBOARDING

Onboarding: Common Pain Points	FOR INVESTORS	FOR ADVISORS	FOR WEALTH MANAGEMENT FIRM OPERATIONS
	• Repeated requests for the same information across numerous forms • Delays in getting valuable assets invested (fear of missing out) • Frustration due to the recurring “back and-forth of paperwork problems • Logistical challenges in getting signatures on documents	• Manual data entry and re-entry across multiple systems and processes • Lack of transparency when tracking paperwork through various departments in the firm • Manual compliance processes • Delay in funding accounts	• Significant internal competition for technology investment dollars, especially from growing demands of regulatory and revenue-generating initiatives • Pressure to keep up with technical advances being made by external competitors • Legacy systems, processes and procedures duplicated for each siloed line of business and channel, leading to rework and inefficiency • Multiple systems and functions involved in onboarding are difficult to coordinate and monitor

ONBOARDING: THE TOP TECHNOLOGY PRIORITY

According to CEB TowerGroup, many firms have already put “improving the onboarding process” at the top of their to-do list—84% of senior IT executives within wealth management say it’s their top priority.[7] Onboarding typically runs on legacy architecture, is still paper-intensive due to the long-standing preference for ink signatures, and requires a growing list of approvals (sales, compliance, financial crimes staff, Know Your Customer reviews, customer service, Series 9/10 approvers, etc.). This often results in non-productive time for advisors and their support staff as they must wait to invest the client’s money, even though it is on-hand or ready to invest, until all of the paperwork has been processed.

Investing in an onboarding process that results in a seamless customer experience—from lead generation, through the initial sales meeting, to the opening of funded accounts—pays off in several ways. A strong business case can be made for transforming client onboarding, not only to keep pace with competitors, but also to generate significant value through revenue growth and cost savings.

However, too few firms are automating tasks that can be digitally enabled, from opening accounts to account funding, capturing prospect information and consent, and completing forms and disclosures. Other reasons to automate onboarding include the need to stay competitive and boost assets under management.

THE BENEFITS OF DIGITAL ONBOARDING

Clients want the simplicity and ease of robo offerings that promise to open accounts in roughly 30 minutes. They also want all of the “bells and whistles” that a full-service firm offers—including proposal generation, multiple accounts, setting up trust services, estate and business planning, financial planning, and the availability of additional services such as margin and insurance, but without the onboarding process taking weeks to complete and having to go into multiple systems to accomplish these common tasks.

The principal benefit of digital onboarding is developing a process that establishes the relationship with the client: It identifies the client’s investment goals and formalizes the mutually agreed-upon investment approach between advisor and client so that the advisor can recommend the investment mix that will best meet the client’s future needs.

Other benefits to both advisors and firms of upgrading existing onboarding capabilities include:

- Accelerating the time between initiating and completing the account opening process
- Reducing paperwork and streamlining client involvement, hopefully eliminating frustrations for both investors and advisors
- Compressing the cycle time of onboarding to as little as one or two days, compared to one that can currently take weeks, or even months
- Funding accounts and investing the assets faster
- Significantly boosting revenue opportunities through cross-selling

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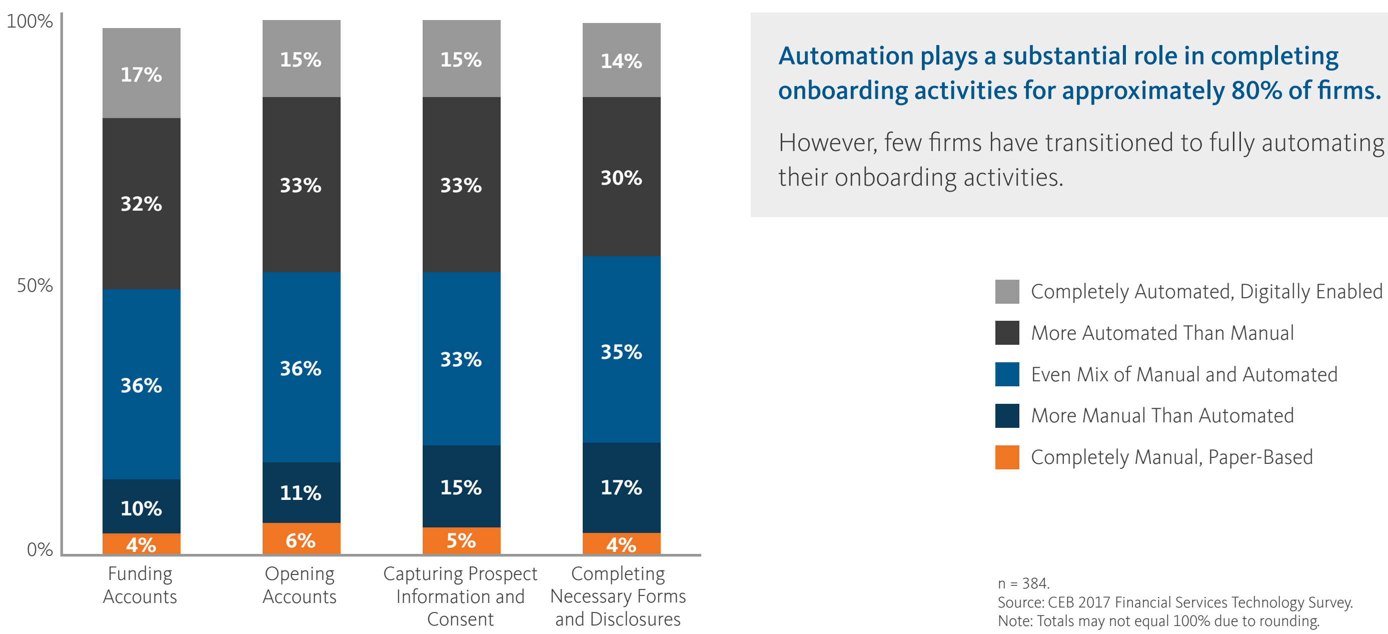
AUTOMATION COMMON ACROSS ACTIVITIES

Use of Manual Versus Digitally Enabled Processes for Key Onboarding Activities

Percentage of Respondents, 2017



Automation plays a substantial role in completing onboarding activities for approximately 80% of firms.

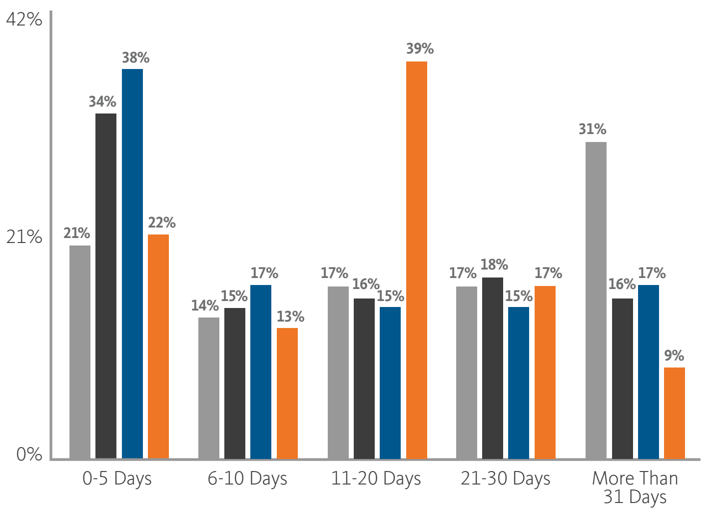
However, few firms have transitioned to fully automating their onboarding activities.

n = 384.
Source: CEB 2017 Financial Services Technology Survey.
Note: Totals may not equal 100% due to rounding.

NON-BANKS ONBOARD FASTER

Typical Length of Client Onboarding Processes, from Initial Form Completion to New Account Funding

Percentage of Respondents by Firm Type, 2017



Investment Advisor firms and brokerages are most likely to report onboarding periods lasting five days or less.

In contrast, the onboarding process at banks typically takes longer, with nearly one-third of banks reporting it takes more than a month.

n = 42 (bank); 104 (RIA or independent firm); 103 (full-service brokerage firm); 23 (other firm that is not a bank or brokerage).
Source: CEB 2017 Financial Services Technology Survey.

THE CROSS-SELLING PAY-OFF

The benefits of cross-selling can be significant: 81% of successful cross-selling occurs within 90 days of onboarding, with 60% taking place within the first month alone.[8] And, with interest rates now rising, many firms are anxious to leverage their wealth management platforms as a way to cross-sell products and other services. The success of cross-selling campaigns is heavily influenced by whether the client's onboarding experience is user-friendly and makes the customer feel good about entrusting a greater share of their wallet with the firm.

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With so much at stake, most wealth managers are committed to improving the onboarding experience—52% plan to increase investment in such technology within the next two years.[10]

BUILD VS. BUY?

As with other technology decisions in the age of cloud computing and agile development, firms face the perennial question—is it better to build or buy? As revealed in CEB's 2017 Financial Services Technology Survey, firms are split on the build-or-buy decision with roughly half in favor of building their solution in-house and slightly more than half in favor of using a vendor solution.

Of the 53% of firms that work with a vendor, 45% favor building a custom-made system using various "best of breed" capabilities from multiple vendors, while 54% favor buying an all-in-one solution from a single provider. Increasingly the "buy" half of that equation is split between two sub-options—collaborating with outside vendors, or joining a platform developed by a leading technology provider to the industry.

Firms that want to maintain total control culturally might lean toward building in-house. However, that approach lacks input from outsiders and may be slower to market due to the challenges of reaching design consensus across multiple product types and functions. It can also be difficult to re-engineer legacy systems to include innovative new features that clients want. Those firms who undertake this complex approach often grapple with implementation and can struggle to reconcile the competing needs of various stakeholders, often leading to budget overruns. In addition, firms face the challenge of managing the successful integration of various data sources. As a result, increasingly, firms are seeing the benefit of either buying an all-in-one solution from a single vendor, or joining a platform that serves multiple firms across the industry.

That type of buy approach can have many advantages for firms that want the latest technology at a fraction of the cost of developing it in-house. Because that platform only needs to be modified to meet each new firm's needs rather than being built entirely from scratch, it's quicker to market for the wealth management firm, and it also affords clients significant network benefits.

Firms benefit from existing subject matter expertise of vendors who are already serving the marketplace and may have solutions for problems that the firm has not encountered yet. For example, when regulators change Know Your Customer requirements or modify anti-money laundering reporting rules, a shared platform can "mutualize" the costs of change across multiple clients. While the savings of joining a platform compared to building a bespoke system vary depending on the needs of the client, they can be significant. In addition, a platform can make investments in the coming years in new robotic process automation tools that will inform machine learning algorithms to vastly improve the efficiency of such things as regulatory approvals. On a platform, that investment is mutualized across all customers, saving wealth managers the significant time and money that such upgrades would cost if undertaken in-house.

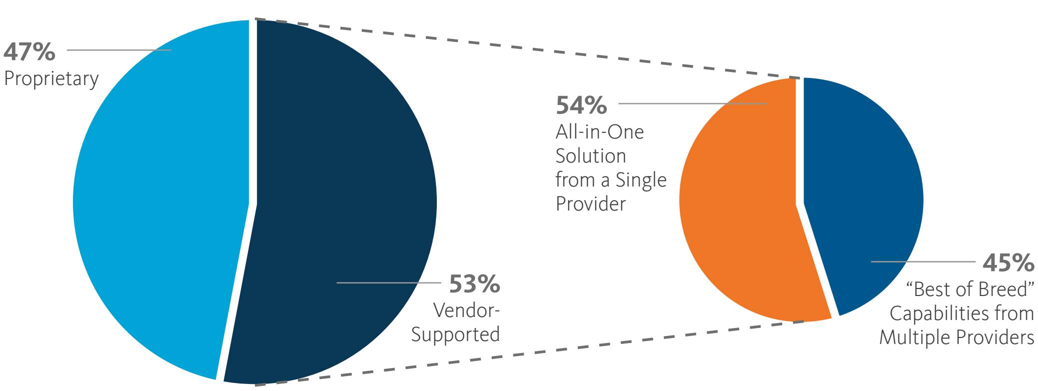
SPLIT DECISION ON ACQUIRING OR DEVELOPING SOFTWARE

Method of Onboarding Technology Implementation

Percentage of Respondents, 2017

Type of Vendor-Supported Solution Used

Percentage of Respondents Working with a Vendor, 2017



n = 384.
Source: CEB 2017 Financial Services Technology Survey.

n = 205.
Source: CEB 2017 Financial Services Technology Survey.
Note: Total does not equal 100% due to rounding.

Firms are roughly evenly split between relying on vendor-based and internal onboarding technologies.

Among firms contracting with vendors, slightly over half work with a single provider for an all-in-one solution.

45% of respondents perceive value in selecting capabilities from multiple providers to best fit their needs.

KEY ATTRIBUTES FOR AN ONBOARDING PLATFORM

EIGHT KEY ATTRIBUTES

1. Agility to adapt to new regulations
2. Track metrics to identify process-related holdups
3. Minimize duplication
4. Customer centric
5. Omnichannel presence
6. Brand awareness
7. Digital first
8. Security is crucial

Regulatory changes are a major influence on the decision to invest in onboarding technologies, with four out of five firms indicating regulations play a role in their investment decision. The best systems can adapt to new rules without the firm having to worry about updating their technology.

1. AGILITY TO ADAPT TO NEW REGULATIONS

Wealth managers need a digital solution that connects everything—from customer relationship management systems through funding—taking a step-by-step approach to implementing a system in bite-sized working chunks. The system should be capable of adding new products and services and adapting to new requirements (such as new regulations) without the need for rewriting computer code. Regulatory changes (whether that's Fiduciary or Dodd-Frank regulations, Foreign Account Tax Compliance Act requirements, or Know Your Customer/Anti-Money Laundering rules) are a major influence on the decision to invest in onboarding technologies, with four out of five firms indicating regulations play a role in their investment decision.[11] The best systems can adapt to new rules without the firm having to worry about updating their technology.

2. TRACK METRICS TO IDENTIFY PROCESS-RELATED HOLDUPS

Measuring success and failure is an essential part of any solution. For onboarding, that starts with workflows that track where paperwork is and how long it is expected to remain at each stage in the process before being sent to the next step. Each step should set a service-level expectation that specifies how long it should take to be completed. Measuring includes tracking reject rates of accounts not-in-good-order (NIGO,) so that analysis to find the source of the problem can identify the reasons for rejection.

Systems must be transparent, showing not just which department paperwork is in, but the individual working on the paperwork, and they should be capable of quickly identifying the specific obstacle that needs staff attention. By putting such measurement in place, reject rates on forms can drop significantly. Improved back-office processes brought about by technology advances such as machine learning and robotic process automation can subsequently further minimize or eliminate defect opportunities that cause NIGO rejects. By improving processes in this way, branch-support staff can be redeployed from mundane paper-handling to higher value tasks that benefit the firm's bottom line.

3. MINIMIZE DUPLICATION

Investors dislike being asked for the same information that the firm already has (such as legal name, address, contact information, account number, etc.). Data from customer relationship management systems should pre-fill forms before the client or advisor adds details. The system should also store that metadata centrally so that it can enable workflows across applications, modules and processes. In this metadata-driven workflow approach, the specific piece of data, not the structure of the form itself, becomes the important asset.

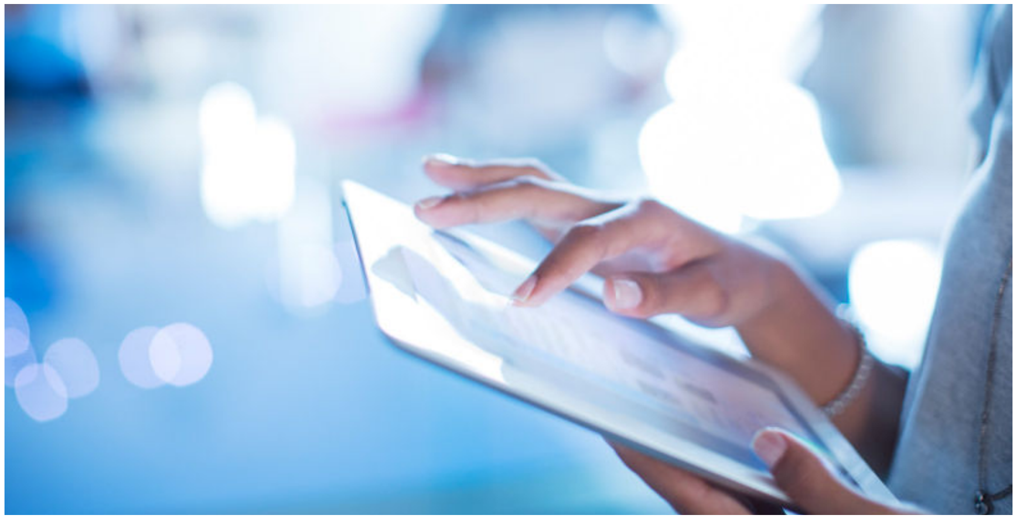
Once data is gathered, information should auto-populate and be synchronized across all sources. Similarly, an intelligent approach also means that approvals do not have to take place in a sequential fashion but can be launched across several departments simultaneously, with each team only having to interact with the forms that concern them, not the entire folio.

Likewise, the system should intelligently know and suggest which forms are needed in each instance, and be re-evaluated based on each new piece of data captured. For example, if an advisor is establishing a trust agreement, the necessary forms should automatically come bundled and pre-filled with the client's data, leaving only some data to be filled in and signed. Advisors and support staff should not have to remember what paperwork is needed for opening each account—the system should intelligently aggregate form requirements and push that pre-filled paperwork to the relevant administrative staff.

4. CUSTOMER CENTRIC

Onboarding systems can improve overall client lifecycle management, serving not just new clients with new information, but existing clients as well. Leveraging the same system capabilities, existing clients can help with maintenance processes by attending to tasks such as address and beneficiary changes without having to involve the advisor. Being customer-centric can also include adding other features that can improve the client relationship.

For example, firms can add a digital vault that enables a client to upload and retain all their important information—everything from welcome kits to prospectuses to wills—to make it easier to interact with their advisor. Being relationship-driven drives greater interaction, touch points and new sales opportunities. For instance, an annual update of dependent children can open the door to a conversation about educational savings products or college goals.



5. OMNICHANNEL PRESENCE

A good onboarding system makes life easier throughout the value chain. An omnichannel onboarding system should support multiple of lines of business, mutualizing common functions across different lines of business within the same firm, such as retail banking (mortgage and credit cards), self-directed brokerage accounts, digital advice, insurance, managed portfolios, in addition to advisor-led onboarding. Examples include such things as the creation of welcome kits, an e-signature architecture, and documentation or forms management. At the same time, the platform can still allow for unique branding for the advisor and firm. This allows firms to share the costs of an onboarding solution across different lines of business while realizing the benefits of that platform sooner.

Modern systems address key functions that exist in all lines of business as components with different configurable rules. For instance, data collection, supervision, documentation and approval workflows all need to happen in different lines of business, but many firms still use separate systems and processes to manage them. Using modular components provides a more efficient approach to onboarding.

6. BRAND AWARENESS

As the first impression the client has of the firm's technology, systems and processes, the onboarding process should reinforce the customer's confidence that they have made the right choice, reflecting the firm's branding. If the firm is marketing itself as a customer-centric firm, or as a technology leader, the onboarding experience should reflect that.

7. DIGITAL FIRST

Adding digital capabilities for such things as signatures and updating standing orders can significantly ease frustrations and friction in the relationship between the firm and the investor. Using such digital technology, based on mobile technologies that allow for instant/anywhere updates, will appeal to digital natives.

8. SECURITY IS CRUCIAL

Onboarding systems must be secure and continuously scanned and improved upon to ensure that would-be malicious actors are unable to access client data. Rigorous vulnerability and penetration tests should be conducted in coordination with other information security best practices, such as encryption and other safeguards, to prevent client data from being exposed.

CONCLUSION

Technology is increasingly crucial to the wealth management industry, making improving onboarding systems a top priority for every firm that has already undertaken this vital work. The old-fashioned approach of building a custom system in-house no longer makes a great deal of sense at a time when customers want to be delighted by technology that constantly updates to the latest features.

With regulations almost constantly changing, a growing number of wealth managers are seeing the advantages of working with vendors to join a shared onboarding platform that gives them the best of new onboarding technology while also benefiting from the network effect of mutualizing the cost of innovation, such as Artificial Intelligence, and mutualizing the cost of updating systems to comply with new regulations.

With trillions of dollars of wealth to be transferred from the baby boomer generation in the coming decades, having the latest onboarding solutions is imperative in order to attract and retain assets under management by improving that crucial first impression the firm conveys to its customers. With the right onboarding system, firms can also yield significant cross-selling opportunities, bolster their brands and establish a much more customer-centric business for the digital age.

FOOTNOTES

[1] http://image-src.bcg.com/Images/BCG-Transforming-the-Client-Experience-June-2017_2_tcm30-161685.pdf
[2] Ibid.
[3] https://www.broadridge.com/_assets/pdf/broadridge-wealth-and-asset-management-2021.pdf
[4] https://www.cnbc.com/2016/06/15/the-great-wealth-transfer-has-started.html
[5] https://www.financial-planning.com/opinion/3-ways-to-win-millennial-clients
[6] https://www.broadridge.com/_assets/pdf/broadridge-wealth-and-asset-management-2021.pdf
[7] CEB TowerGroup 2016 Wealth Management Leadership Council Agenda Poll
[8] http://www.doxim.com/wp-content/uploads/2015/12/3-phases-of-client-onboarding.pdf
[9] Ibid.
[10] CEB 2017 Financial Services Technology Survey
[11] Ibid.

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