



# Finding leaders amongst followers

Platform providers reveal why innovation is at the top of their priorities and how they're responding to adviser demands. Krystine Lumanta reports.

Innovation, by definition, requires some method or process new to a specific environment, usually ahead of its time.

Clearly, the improvements and upgrades that platforms are currently undergoing are set to define what future offerings will look like and will undoubtedly widen the innovation gap between providers.

According to the Investment Trends July 2011 Planner Technology Report, financial planners are consolidating the number of platforms they use, to achieve a more efficient business process in this pressurised environment of investor demand and regulatory reforms.

Recep Peker, senior analyst at Investment Trends, says the report finds that the needs of planners are evolving, with planners naming, on average, 8.5 developments or improvements they want in their platforms.

"We had a group of advisers coming out saying they wanted a more efficient and low-cost solution overall from their platforms, while there's another group saying they want a more comprehensive solution for more complicated clients," Peker says.

"The way this fits in with the broader trends in the industry is that there's a general shift in the industry where more planners are focusing on the higher value

clients. But then there is another group of planners saying they will be focusing on single-issue advice or simple advice more often. So these two groups have quite distinct needs that come through."

Some of those needs are new and platform providers have either not thought about the particular issue or have not released that particular function yet, according to the report.

Peker says that it's more about financial planners' needs evolving rather than being dissatisfied with the current offerings.

"Financial planners and the industry as a whole is evolving very quickly and this obviously puts pressure on platform providers to quickly move in and meet their needs," he says.

"For example, we have a group of planners wanting SMSF [self-managed superannuation fund] establishment, SMSF management and administration and SMSF reporting.

"So I wouldn't say it's a shortcoming of platform providers. I would say it's just how dynamic this environment is."

Peker says the areas where the satisfaction has increased are where the innovation has occurred, and it's had a positive impact on adviser perception.

He says that the report also highlights a big focus on efficiency and lower-cost products.

*I wouldn't say it's a shortcoming of platform providers. I would say it's just how dynamic this environment is*

"The offerings of a lot of platforms are getting very good and as a result, it's easier to substitute one platform for another," he says.

"When you have multiple platforms on your menu, it's more of an inconvenience to have your clients spread across multiple platforms, so what advisers will end up doing is that they will stop putting new inflows into some platforms and favour others."

Peker says that in such an environment, platform providers must ensure they become a financial planner's primary platform.

"By becoming somebody's primary platform, you can quadruple the level of flows you get," he says.

"A primary platform receives 73 per cent of platform flows versus a secondary platform receiving 17 per cent of platform flows, so it makes a big difference."

## INNOVATION GAP

Martin Spedding, executive director of DST Global Solutions (Bluedoor), says there will be a significant innovation gap over the coming years as the pace of change continues relentlessly.

"The market becomes really divided between those that are reacting to change and those that are really driving it," Spedding says.

"It's a really exciting era for advisers

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and for platforms because there are great opportunities to really differentiate and innovate.”

He says the gap will close further into the future, but at this point in time there’s an opportunity to differentiate.

Bruce Hawkins, general manager of MLC Wrap Platforms, says the cost of competing effectively in the market is growing at a time when investment markets are impacting funds under management (FUM) across the board.

“So it’s going to be harder for some of the smaller players to invest into the systems to keep them competitive moving forward,” Hawkins says.

“One of the benefits that MLC has achieved [from] bringing together Custom and Navigator onto the same platform is suddenly a lot more scale efficiencies that come into play that we can pass back through reduced fees, investments into our systems and ongoing innovation on the platform side.

“When you look at the key players, that will be a very competitive space. But when you look at the next level down, it’s going to be hard for them to compete and continue to invest in the systems when the returns aren’t there.”

Steve Burgess, general manager, platforms, at AMP-AXA, says new technology and its capability to deliver more features at a reasonable cost will ultimately be the catalyst for a wider innovation gap.

“That’s certainly what we’re finding with North,” he says.

“It’s written in a modern language, from a technology perspective, it’s highly configurable, [meaning] you can change things relatively easily and be quick to market.

“Platforms that languish on old technology in the future will fall further behind because it will be increasingly expensive to develop on.”

Burgess says staying on old technology platforms is not only expensive but will create problems when platforms find that, after complying with regulatory change, they are not able to afford innovative product changes.

“By the time you just finish keeping the lights on, there’s usually not a lot [of money] left for you to do much that’s new and fresh,” he says.

“Older technology platforms will find that increasingly difficult to cope [with].”

#### ARE WE ACTUALLY INNOVATIVE?

Kelly Power, national product manager of Asgard, says that the platform industry hasn’t really been innovative and instead has been very reactive to investor demands and compliance requirements.

“We’re now starting to see new players starting to innovate and start to build a more seamless, intuitive customer experience that’s focused on the end customer more,” she says.

“You’ll see a lot of that in the Next Generation platform work that John Shuttleworth and his team are doing at BTFG. That project is [designed] around what will be the next new innovation five years away.”

Power says the focus this year has been on developments in equities, SMAs [separately managed accounts], templating and online enhancements.

“But where the main innovation is happening, particularly within our business, is around improving the customer experience,” she says.

“It’s about how you interact with the

## LEGACY PLATFORMS AND OLD TECHNOLOGY

Martin Spedding, executive director of DST Global Solutions (Bluedoor), says that in the new world of platforms, there is no room for legacy offerings. “They keep putting new wallpaper up and obviously try to dress up the technology,” he says.

“But the real issue here is that you have these disparate technologies, which have an ongoing integration task, and you’re trying to orchestrate a straight-through process by utilising the capabilities of a number of different systems with different technologies.”

There’s a limit to the integration that can be reached and there’s also a significant cost attached to that ongoing integration requirement, Spedding says.

“What it means is...if we were in a steady state and there was not going to be ongoing change, then these issues become less [of a concern],” he says.

“But every time there is a change required, whether it be FoFA or whatever else, and you’re dealing with a highly integrated legacy environment, you’ve got to break a lot of things, change them and fix them, and that costs a lot of money and takes a lot of time.”

The implications are slow change and inevitable cost recovery, Spedding says.

AMP-AXA’s Burgess agrees and says legacy platforms that stay on the old technology will not be able to keep up with the fast-paced changes occurring alongside increasing demand.

“That’s the fundamental reason why with our legacy platforms, we are migrating them over to the new technology,” Burgess says.

About 120,000 clients, along with several billion dollars of funds under administration, are in the process of moving over to the North platform.

“We don’t believe they fall into ‘legacy’ in the sense [of how] many advisers understand that word, which is obviously negatively,” he says.

“Our whole strategy has been based on ensuring that doesn’t happen with existing customers and their advisers; so migrating those customers and that existing book of business over to the new technology will ensure that they stay fresh and up to date and they will pick up many of the modern platform features.”

Burgess says AMP-AXA has always been public with this strategy and never intended to leave investors on old technology.

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system and making it the most intuitive and seamless customer service experience possible - [features like] STP [straight-through processing] and integrating insurance into your platform.”

Asgard’s latest offering, Infinity eWrap, is set to change the mould, says Power.

Their “customer-centric design process”, which involved observing planner behaviour and collaborating with them to build prototypes over two years, has resulted in the “Foxtel-like” design of Infinity.

“[It’s] really a product where you pay for your core package and then you can [include] add-ons as you need,” she says.

“Instead of paying for every single channel, you can just pick the ones that you need or [that] suit your circumstances.”

Generally, the trend in the market has been to offer full-service platforms and wraps, although there are limited-menu, mass-market offerings available.

“The [way] Infinity differs from that is that you can scale up or down depending on your needs and you can do that in a client’s portfolio over the life of their portfolio,” Power says.

“So they can start off with a small account balance, say \$50,000, with just a very simple investment need, and they might just want the core offer which is 11 managed funds plus insurance.”

The investor can decide to add equities onto the account at a later stage and pay for that feature at that point in time.

“You can really evolve with the product as the client’s needs evolve,” Power says.

AMP-AXA’s Burgess says adding capital and income guarantees onto

North demonstrated innovative development.

“It was a brand new invention that we were first to the market with,” he says.

“We didn’t write loads of business early on...and [it] really wasn’t about following adviser demands.”

Burgess identifies SMAs and ETFs [exchange-traded funds], which are already featured on platforms, as future areas of further innovation.

“You wouldn’t say right now that that’s huge in terms of adviser demand,” he says. “The kind of FUM that flows into those products isn’t massive yet but that’s a feature you can point to and say that’s innovation, that’s being there before the demand.”

Model portfolio capabilities are also starting to feature more prominently on platform offerings, allowing planners to service more clients much more efficiently, Burgess says.

“From a client’s perspective, it looks very bespoke, like very tailored advice,” he says.

“That is really where platforms need to be - helping advisers demonstrate the value of their advice to clients but in a very efficient way when it comes to the actual transaction.”

Similar to Asgard’s Infinity Wrap, variable, or asset-based pricing, was introduced to North in April this year, allowing customers to pay a lower-cost administration fee for basic investment options.

Burgess says: “There are many providers, including AXA, [that] have got two types of platform. They have a cheaper, cut-down baby wrap, if you like, and then they have a fully-fledged, big-menu, full-price platform as well.

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“What we discovered [was] that having two very distinct products was really not what advisers wanted as a product going forward because that presented them with an issue of transitioning the clients.”

MLC’s Hawkins says clients’ demands resulted in adding an SMSF administration service to MLC Wrap.

“So effectively offering a full end-to-end self-managed service from trust declaration to fund administration, investment administration, reporting... all in the one service,” he says.

Paper-based forms and illiquidity issues have been resolved in MLC Wrap, Hawkins says.

He says the Custom and Navigator offerings caused frustrations around poor online transaction capability.

“Advisers can now do every core transaction on a platform online from the desktop,” he says.

“There were a lot of transactions that still required hard copy paper, et cetera, but what we’ve tried to focus on is getting 100 per cent of all of our core transactions online and [deliver] true straight-through processing - so the ability to go straight to market from the adviser desktop.”

The global financial crisis (GFC) caused problems with illiquid funds, causing client accounts to be either “transitioned out” or closed. Hawkins says new tools and techniques have now been created to handle those difficulties.

Financial planners have also been seeking transparency, portability and direct equities, combined with professional funds management, at a lower cost than managed funds, Hawkins says.

“SMAs fill that void nicely,” he says.

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“MLC Wrap and Navigator are the only platforms with SMAs fully integrated into all of our tax structures, so IDPS [investor-directed portfolio service] super and pension as well.

“Others have got SMAs that sit on the side - ours is fully integrated.”

DST Global Solutions’ Spedding says the platform market has come to a point where providers are either helping to drive competitive change or just reacting to it.

“A lot of that really comes down to the technology they have, how that technology works and how cost-effectively they can deal with change,” he says.

“The reality that all providers have to live with is the pace of change; and the demands are not going to diminish, they’re probably going to increase, if anything.”

The Bluedoor platform was built from the ground up to ensure a modern, open architecture system, Spedding says.

“The great advantage of those technologies is that they are highly flexible and configurable,” he says.

“They can be adapted very quickly, which means that the platforms can really respond to changes from advisers in terms of the functionality, the type of reporting [and] the online transactional capability.”

Bluedoor’s back office solution is web-based.

“It’s using the same business logic, it’s using the same data with no sort of ‘warehousing’ of data required,” Spedding says.

“It’s highly configurable, which means things like the FoFA changes and the raft of other changes coming down the pipeline, the system can already deal with

all of that.

“There are no functional changes really required, it’s just a matter of configuration.”

Spedding says platforms are still a few years off from more advanced innovation but predicts the way advisers use tools with customers will transfer over to mobile computing soon.

He says planners need to be prepared to translate the hand-holding that they currently do with clients into the online, digital world.

“They can do that with customers in dealing with all of those transactional requirements and what’s required to implement strategies online in efficient ways,” he says.

Spedding says alternative strategies where modelling can be completed using real and historic personalised data is currently being worked on, as the rich customer data isn’t being utilised to its full potential.

“So you’ve got that tight integration between what’s being held in that back office and what’s being used, in terms of modelling, and how they can switch [and] automate a straight-through execution of those strategies.”

He says he is also supportive of iPad- and tablet developments.

“Absolutely,” he says. “It’s just a natural extension for technology vendors that have open architecture systems.

“There’s a lot of ‘cottage industry’ going on at the moment around iPad apps, which is not dissimilar to when businesses first started putting up websites on the Internet.”

#### FUTURE CHALLENGES

Investment Trends’ Peker says that

*For platforms, the good news is that only 14 per cent of financial planners said the challenge was related to their platform [being] outdated*

there’s still room for improvement in simplifying data transfers to and from planning software.

“And platforms must not neglect planners on the BDM support side of things either,” he says.

“Some planners are finding that keeping up to date with changes in technology is challenging. But for platforms, the good news is that only 14 per cent of financial planners said the challenge was related to their platform [being] outdated, difficult to use or unreliable.”

Hawkins says the platform market needs to figure out how to progress itself to the next level.

“Platforms have been around now for 22 to 23 years and we need to keep looking [for improvements] and making sure that we remain relevant and current,” he says.

“If we lose that currency or relevance, then we’re out of the game pretty quickly.

“In terms of product and service innovation, the key focus is looking at where we can help advisers cut out costs to their business. Clearly the areas [where] we see FoFA impacting them is both on their revenue and needing to reinforce the value that they bring to customers.” ■

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\* Results from Investment Trends July 2011 Planner Technology Report, based on ratings given by 1,394 financial planners

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