THAT LONG LEAP

As we dive into the new post-RDR world, warns FRASER DONALDSON, investment platform providers are falling short on the service qualities advisers say they want.

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SPEED READ

- Platform operators must retain business
- Opportunity to engage with advisory firms
- Poor service the main reason for switching
- 9-in-10 platforms fall short of expectations

The platform market is currently going through a golden phase: assets under administration have more than doubled between 2010 and March 2012 to over £180bn. This remarkable rise has been down to the significant advances in platform technology and the approach of the Retail Distribution Review (RDR).

With RDR implementation almost upon us, many advisory businesses are likely to be considering whether and how platform solutions will be able support their post-2012 advice and service proposition and, ultimately, the needs of their clients.

From a platform's perspective, this is a key window of opportunity to engage with advisory firms. There are opportunities in this sector but the challenge for operators in the run-up to the January deadline and beyond is how they can differentiate their proposition and effectively communicate this to advisory businesses in order to stand out.

NEGATIVE PERCEPTIONS

At the same time, the consistently high switching rates we have seen among platform users since 2009 serve as a reminder that providers still have work to do to boost business retention rates.

Our latest (September) Platforms Report 2012 reveals the findings of our survey among platform users and provides an in-depth review of the market, analysing industry developments and provider movements. It includes:

- the results of our platform user satisfaction review, ranking 37 service disciplines across eight distinct categories and revealing which areas of service are meeting user expectations
- a review of the industry and regulatory landscape, with supporting independent commentary
- analysis of the research process and selection criteria advisers use when identifying suitable platform partners, and insight into how providers can align their propositions accordingly
- trends among the platform user community, including preferred platform provider type, investment outsourcing preferences and frequency of use of investment tools.

The report's key findings suggest that advisers see poor flexibility and levels of service as the main reasons for changing their preferred platform provider. Interestingly, advisers didn't deem the cost of using a platform as important when considering changing platform providers.

One of the biggest concerns among advisers is whether or not adopting only one platform will jeopardise their independence. While recent FSA papers have clarified this, according to our survey it seems that some advisers remain confused.

A third of the 345 platform users surveyed think that adopting one platform will jeopardise their independence, while 8% remain unsure whether it will or not. The one thing which is certain is that the

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FSA will be scrutinising those advisers who decide to adopt only one platform post-RDR, which means that advisers will need to carry out some very robust due diligence to ensure they can defend their decision.

Our survey highlights three aspects of service that advisers see as the most important:

- Timeliness, where applications are processed accurately within an agreed timescale.
- Integrity, where a provider can be relied upon to keep promises and treats advisers and consumers fairly.
- Competence, where staff understand and deal with advisers' problems effectively.

MORE PROACTIVITY REQUIRED

However, we found that platform providers are falling short of users' expectations in nine out of the top 10 aspects of service that they regard as most important. So, although platforms are increasingly being seen by the adviser community as an indispensable investment administration tool, it's clear that platform operators need to do more to ensure business retention post-2012.

SET OF SOLUTIONS

The RDR policy will read across both advised and non-advised platforms, which means that we shall see a more homogenous set of solutions in the market. This will ultimately mean that all platform offerings should become easily adaptable – at least in structural terms.

Platform operators will not want to lose adviser clients to a competitor, as profitability is very hard to achieve in this market. It is crucial they understand and act on the needs of the adviser and their clients. Our Platforms Report 2012 gives a good indication of just how providers are faring in this arena – and how they can seek to maximise the opportunities resulting from the RDR. ◘

SUPERMARKETS AND WRAPS

The Financial Services Authority anticipates more advisers will adopt platforms as they prepare to comply with the new regime introduced by the Retail Distribution Review (RDR).

It identifies two similar service propositions – fund supermarkets and so-called 'wraps' – under its basic description of platforms as: 'Internet-based services used by intermediaries (and sometimes clients) to view and administer investments.

'They tend to offer a range of tools which allow advisers to see and analyse a client's overall portfolio, and to choose products for them. As well as arranging transactions, platforms generally arrange custody for clients' assets'.
The great majority of assets administered by investment platforms are currently held by big fund supermarkets like Cofunds, Fidelity Funds Network, Skandia Investment Solutions, Hargreaves Lansdown and Standard Life FundZone.

You can access further information about our 2012 Platform Report at: www.defaqto.com/provider/publications