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Asset Management: Fixing the Consumer Disconnect

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The Financial Services Forum

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FIXING THE CONSUMER DISCONNECT
Financial Services Forum – 1 July 2019

Kim Bell
Founding Director, Bdifferent

Is there a disconnect and is it new?

Let's start by asking ourselves if there is a disconnect?

- Can any asset management company in the room really say they understand their investors aspirations, the needs and investment objectives that drive them to be clients?
- And how many investors really feel that they have a 'relationship' or at the very least that they even know the name of the companies they are invested in?

So clearly the answer is yes there is, but is it new?

- Let's start with distribution – back in the day, we all thought the adviser was king
- Go back 15 years ago and very few asset management companies had market research or insight departments
- Along came the FCA who, invented TCF, amongst other things, which encouraged many of the asset management companies to listen to customers for the first time, because now they had to

How can we connect and engage?

It's clear that all this isn't enough

- Yes it gave rise to asset managers thinking more about 'what the customer wants', Bdifferent talk to hundreds of advisers, fund selectors and investors on behalf of asset managers every year, and the common thread from investors

WE DON'T UNDERSTAND

- We don't understand what asset managers are and what they do
- We don't understand the risks of investment
- We don't understand the language
- We don't understand what we've got

Arguably, with the advent of auto enrolment, there are more opportunities for engagement, with everyone in the work place touching investment through their workplace pension

But let me show you a couple of case studies

Put yourselves in their shoes…..

This is Laura

Laura works in the handbag department of an up market retail department store

She knows everything there is to know about handbags, her customer chat includes words such as Bayswater, Clifton and Birkin

She started work at this store about a year ago, she's now in a workplace pension for the first time but she's never given it any thought at all. When we asked her if she knew where her pension was invested, she didn't know, not only that she didn't know it was 'invested' and when she found out she was concerned

I thought it was a pension, I didn't think it was investments, a pension is low risk, investments sound really risky

Put yourselves in their shoes…..

I'm really not sure I've made the right decision, the adviser reassured me, so I guess I just have to hope for the best

This is Tim

Tim is in his late 30's he works in 'Big Data', he has a good pension scheme, a large disposable income and a fairly big pot of savings that he thinks he ought to invest

He met an adviser in a bar who told him he could help, so he's taken advice and put his savings with him

He was given Key Investor Information documents, but he never got round to reading them and frankly they were a bit long and boring

He'd like to know more about investing, but he's not sure where he'd go to find out

Lack of engagement fueled by lack of understanding

Laura and Tim are real people they talk handbags, they talk megabytes or whatever their industry and job role requires

Diversification, multi-asset, derivatives are another language to most people and we do very little to make it easier for them

We make it so complex, that even if they have some interest in investment, they don’t know what they need to know and they don’t know what questions to ask

Lack of engagement fueled by lack of understanding and closeness

‘I’ve no idea where my money is or who has got it’

‘Bought’ through a pension scheme of adviser

‘Proof of purchase’ written by experts for expert

I don’t understand it, it doesn’t feel like its written for me

This thing called a fund

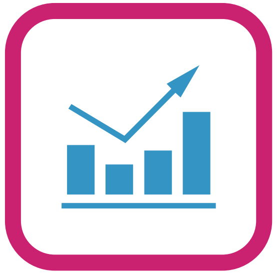
Does it represent value for money?

I know how much I’ve invested but I’ve no idea what I’ve paid for it

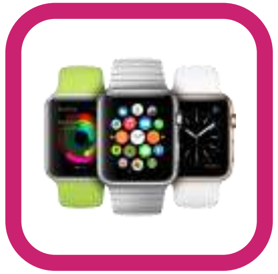
So how can we encourage engagement?

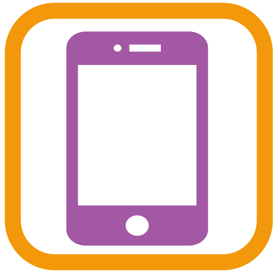
It’s a dynamic, exciting process…

- When we speak to pension scheme members, we find that very few members grasp that the pension is an investment product – therefore they don’t understand that it is dynamic and active
- In research groups and workshops, we find that once we have walked them through the investment process, they often become interested in understanding more, their ears prick up and they start to become interested
- Investors often tell us that they would like to understand – but it’s all too difficult and they think they never will



So how about this for starters…..





Make it about the investor and give them the tools to get to grips with it in the way that best suits them

- When we speak to investors in Asia, we find a very different attitude to investing, investing to grow their money is a hobby and they are interested and engaged because it's made simple for them, it's part of everyday life
- Technology such as wearable tech has had a big impact on health goals, it's personal and instant, could this type of technology be further used to set investment goals? To encourage interaction?
- Similarly we've seen the use of gamification in the DC pensions arena, that engages members to follow their investment goals
- Producing content that is age and lifestyle specific
- Make it exciting, it's not all about boring small print

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Use their language

- Importantly, we need to make it about me and my aspirations, not about the product and whether it offers derivative instruments or liquidity characteristics but about what I want to achieve from investing my money

Some examples from ‘simple’ KIIDs

The Fund may use financial derivative instruments (instruments whose prices are dependent on one or more underlying asset 'FDI') where it is more economically effective than holding the underlying asset or for other efficient portfolio management purposes

Liquidity characteristics of non-exchange listed investments can be irregular, and may result in higher than anticipated costs to liquidate the investment

The Fund could lose money if any institutions providing services such as acting as counterparty to derivatives or other instruments, becomes unwilling or unable to meet its obligations to the Fund

Going back to Laura and Tim

Laura love the bags that she sells, she also likes to keep fit and regularly runs using a fitness app on her phone that feed backs to her tablet …

What if she could have an app that kept track of her pension and investments and what if we could relate her interest in handbags to the funds she‘s invested in?

Tim wants to learn more but doesn‘t know where to start

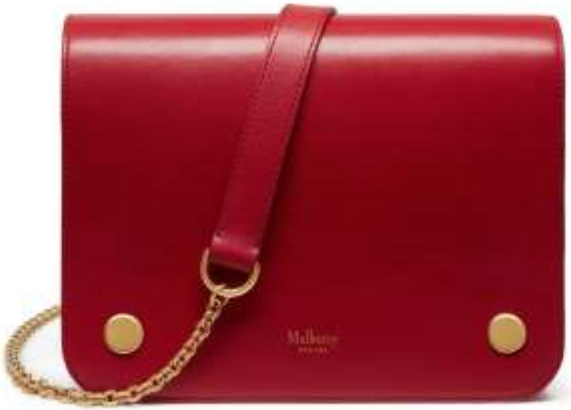
What if he was invited to an investor seminar run by one of the asset managers he‘s invested in, during his lunch hour, where he could learn the basics of investing and demystify some of the terminology?

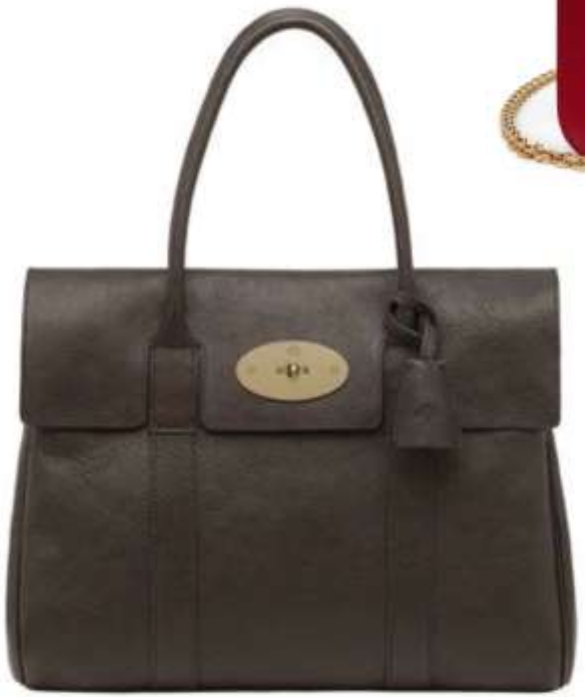
The voice of the investor

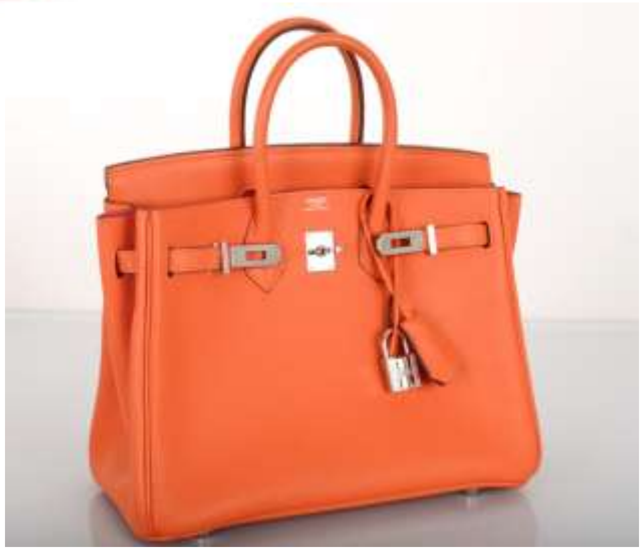
Yes, we can and do run focus groups, investor panels, depth interviews and all of that helps our clients understand the voice of the investor

.....but until we can speak to investors in their language and encourage a two way debate built on understanding, the voice of the consumer is going to stay silent

For the uninitiated....







Thank you for listening

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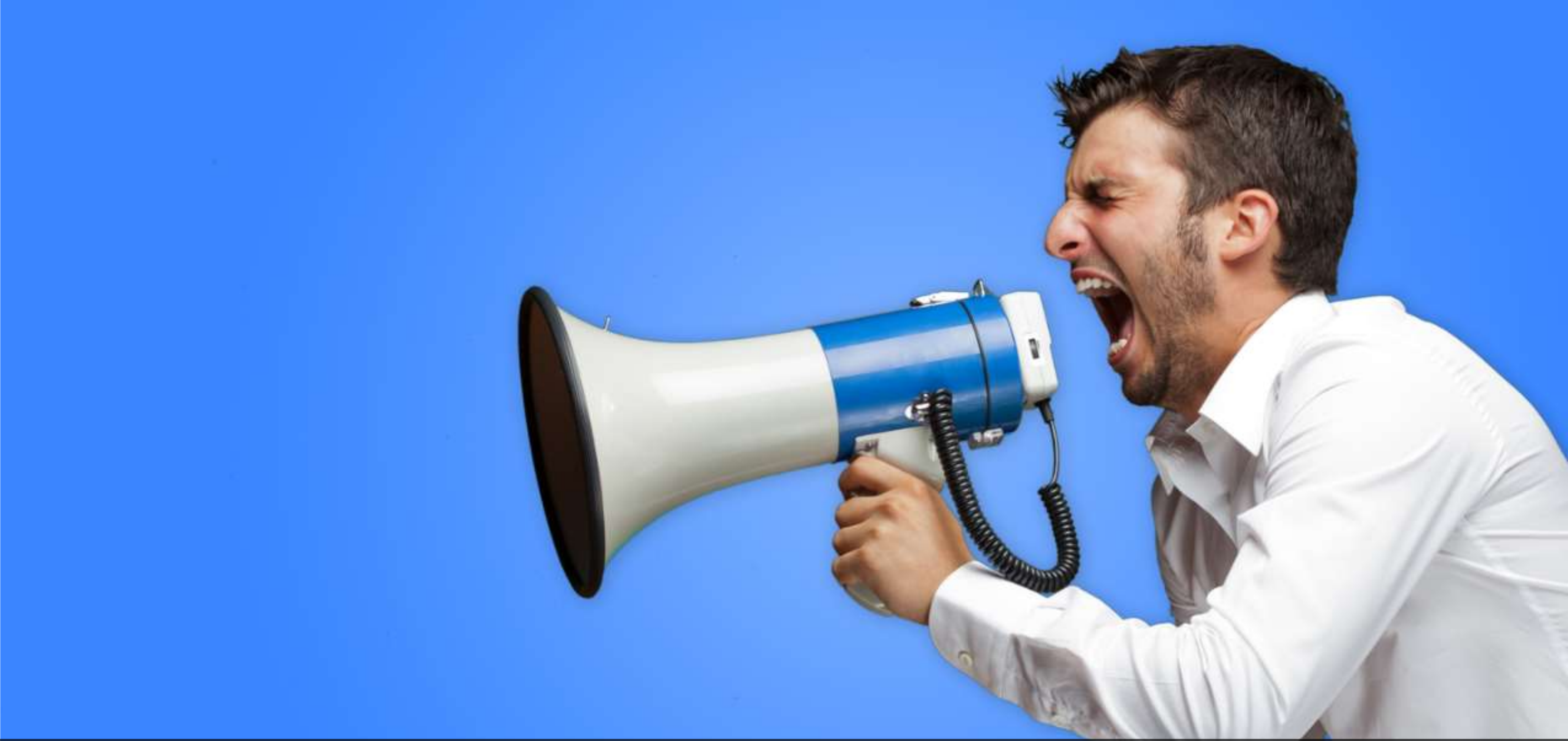
Asset Management:
Fixing the Consumer Disconnect

Dawn Hyams,
Head of Investor Insight & Governance
The Wisdom Council

Are asset management marketers (and firms!) 'disconnected' from end investors?

How do we bring the customer back in to the room?

How do we get their voice heard at board level?



Does the industry connect with customers?

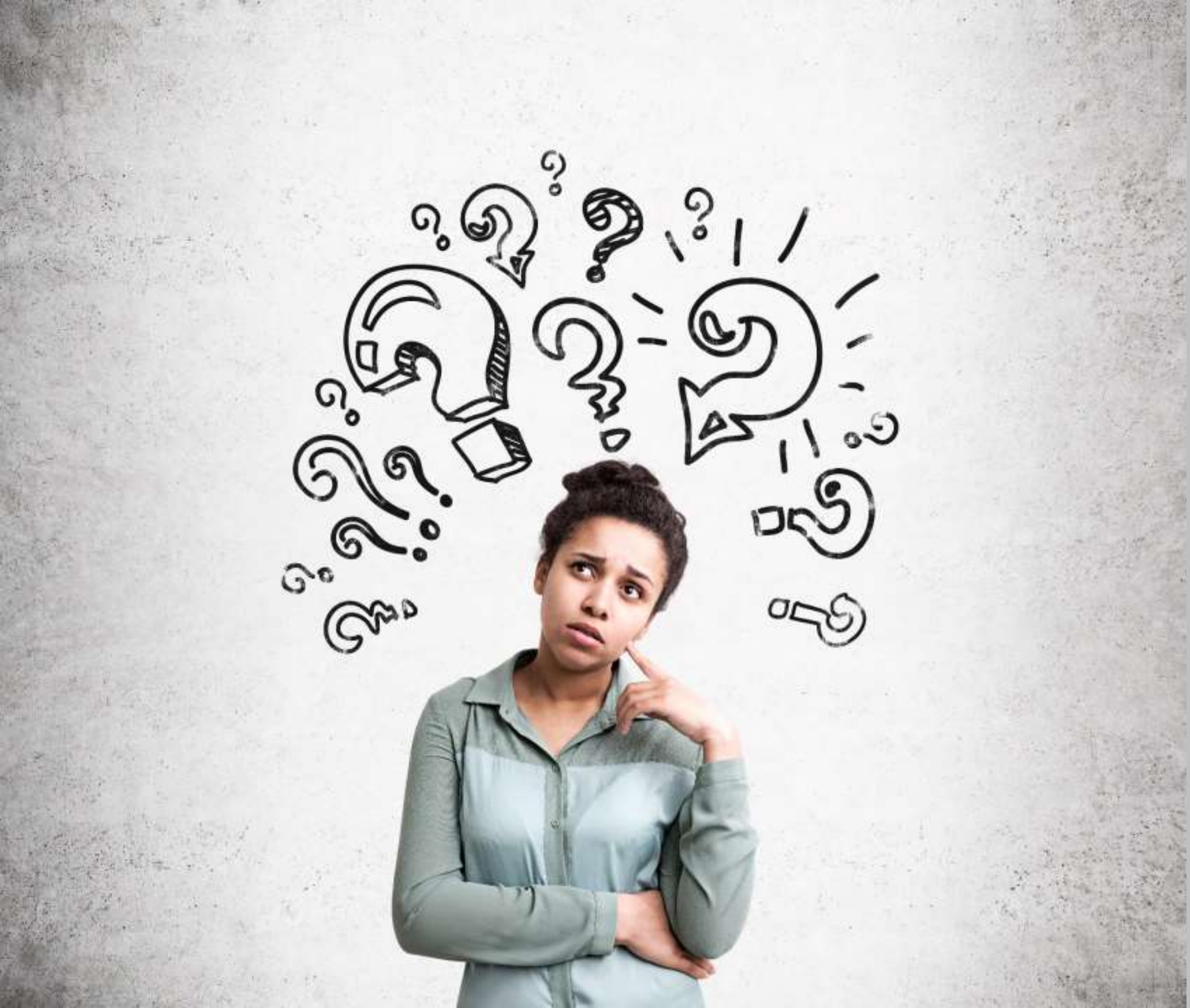
The FCA

…sees effective communication as: **fundamental to helping customers make informed investment decisions**

Investors need to understand **the risks and characteristics** of a product when they buy.

BUT

- Much of the information currently made available to customers **fails to engage** with them effectively.
- Information can **overwhelm, confuse and ultimately deter** customers from making considered choices or indeed investing at all - this can lead to poor decision making and potentially poor outcomes.



Your customers

“I’ve never really heard of them…” (any investment brand you mention)

“they are just weasly words…”

“It’s about trust for me…before it was implied, now it must be earned”

Traditional research methodologies still have their place:

- Focus groups
- Online discussion forums
- Quantitative surveys

But building **meaningful, ongoing dialogue** can be so much richer and more valuable to the firm:

- Client councils
- Pop-up communities
- Customer advisory boards

A strategic tool for the business…and a way for your board to hear from consumers first hand

Co-creation puts the customer front and centre…and why not?

Connecting - time for a cultural shift?

Putting customers' interests at the heart of business

Remembering whose money we are running!

Stepping outside our (industry) comfort zone

And talking to (not at) customers in their language


THANK
YOU!