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Renewed Focus on Customer Experience: Fund Administrators Use Interaction to Create Differentiation

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The reality is that the specific act of managing a portfolio has largely become a commodity. In the new age of the user experience, the winning or losing of clients will depend on experience style.

After the crises of recent years, the financial services industry now faces a long-term future of increased regulation. Considering the costs that many will face in light of adapting and complying with these additional regulations, many financial services companies are also facing reduced profits. Dodd-Frank, much of which hasn't even been written yet, has already made an impact. We've all been hearing the sad news headlines that our colleagues at some firms, like Bank of America, have been laid off as a result of increased oversight. As the industry navigates this legislation and other new regulations, it's imperative that companies find other ways to keep profit margins strong; the cornerstone to that is a renewed focus on the customer and their experience.

Accordingly, the old adage, Customer is King, has taken on a new sense of urgency. With the advent of real-time, all-the-time technology, consumers now demand instant access to information whenever they want it, from wherever they

are, and on whatever device they want to use.

The consumers' user experience has changed the way they select products and services. For example, many customers choose a bank based on their ability to seamlessly access account information on their tablets and smart phones rather than on the interest rates they receive. Whether it is through the Internet, an iPad, a smart phone, or on a touchscreen in a hotel, technology is changing the rules on how people consume information and interact with their environment. The bottom line: Consumer preferences are now, more than ever before, controlling the success of organizations.

What does that mean for fund administrators and fund companies? This new paradigm should be a call to action. The ever-increasing need for instantaneous control of data has become more than just "nice to have." Meeting user expectations is now one of the most important drivers of financial services success.

Fund companies, increasingly, will differentiate themselves by how well they meet investors' demands for a satisfying user experience. Success will depend on how well they handle the personalization – or what I like to call the mass customization – of their services to instantly make information available and accessible to each investor in precisely the format they prefer.

So lest you think you've won the game if you have an

expense ratio that is twenty basis points lower than your competitors, think again. While a savvy institutional investor will take notice, the retail customer may be too distracted by their personal website or smart phone features and preferences to care. Lack of an interface to Quicken, for instance, might just be a show-stopper for late-night investors who prefer to download their transactions so that they can have visibility into all of their investments in one place.

Investors want a richer, deeper experience. If you don't bring it to them, you're not even in the game. In fact, they will choose a fund company based on a single feature – such as cool iPhone app or whether they can integrate with Quicken. Period. Ignore this important leap in user expectations and you'll do so at your own peril.

Take my 70-year-old father. He no longer subscribes to the print edition of the newspaper; he reads it on his iPad. That is a profound change. A person who spent his entire life reading a print newspaper now says, effectively, I want easy access to the day's news wherever I go.

Look at how Open Table, the online restaurant reservation service, has changed the way people choose restaurants. If you see that a restaurant has received many negative comments from users, you're probably going to choose a different place to go for dinner. Perhaps, even more importantly, if a restaurant you want to go to isn't on Open Table and the establishment requires you to actually pick up the phone to make a reservation, you may think twice about your choice. It may be that the restaurants that are not part of Open Table or a similar service in the future will have trouble staying in business.

For the fund administrator who wants to maximize the user experience and meet these new expectations, it is essential that data is centralized, rock solid and completely accurate. Information must also be able to flow automatically to the end user's devices and interact with exponentially increasing applications and platforms in order to meet investors' needs. The top retail mutual funds understand this sea of change in user expectations. Take a look at how much of their IT budgets are directed towards the

user experience and how much of their advertising budgets go to informing consumers about this experience. You'll be surprised.

One company, for instance, has a "heat map" that you can look at on your iPad in real time. You can now get the heat from your investment with a lot of red and green blocks flashing across your screen. Even if they're not sure what it means, it's something that people like because it is a differentiator.

The reality is that the specific act of managing a portfolio has largely become a commodity. The act of communicating and interacting with investors is where the real differentiation, the real growth, exists. In retail asset management, user experience is trumping otherwise more rational decision-making criteria, paving the way for commoditization of the investment style. In the new age of the user experience, the winning or losing of clients will depend on experience style. Don't end up being the loser in this new environment.

Complacency is a sure route to complete failure. Be ready to differentiate based on the user experience. And there's no time to wait. Because when it comes down to investor choice, it's their way or the highway.

Mark Evans is the chairman, CEO, and president of Confluence. He founded Confluence in 1991 with a vision of revolutionizing asset management through technology innovation and data management automation. In 1994, Confluence released Unity® Performance (formerly FundStation®), a product which today automates complex performance reporting for more than 40 percent of the leading global investment managers. Evans assumed the role of President and CEO in 1996 and was named Chairman and CEO in 2011. Confluence has grown to be recognized as a global leader in fund administration automation. The company's products today comprise the asset management industry's only unified platform for global fund administration automation and, with its headquarters in Pittsburgh, PA, Confluence also operates offices of Confluence International in London and Luxembourg.