
Unintended consequences: How technology is enabling UK advisers to flourish after the ban on commission

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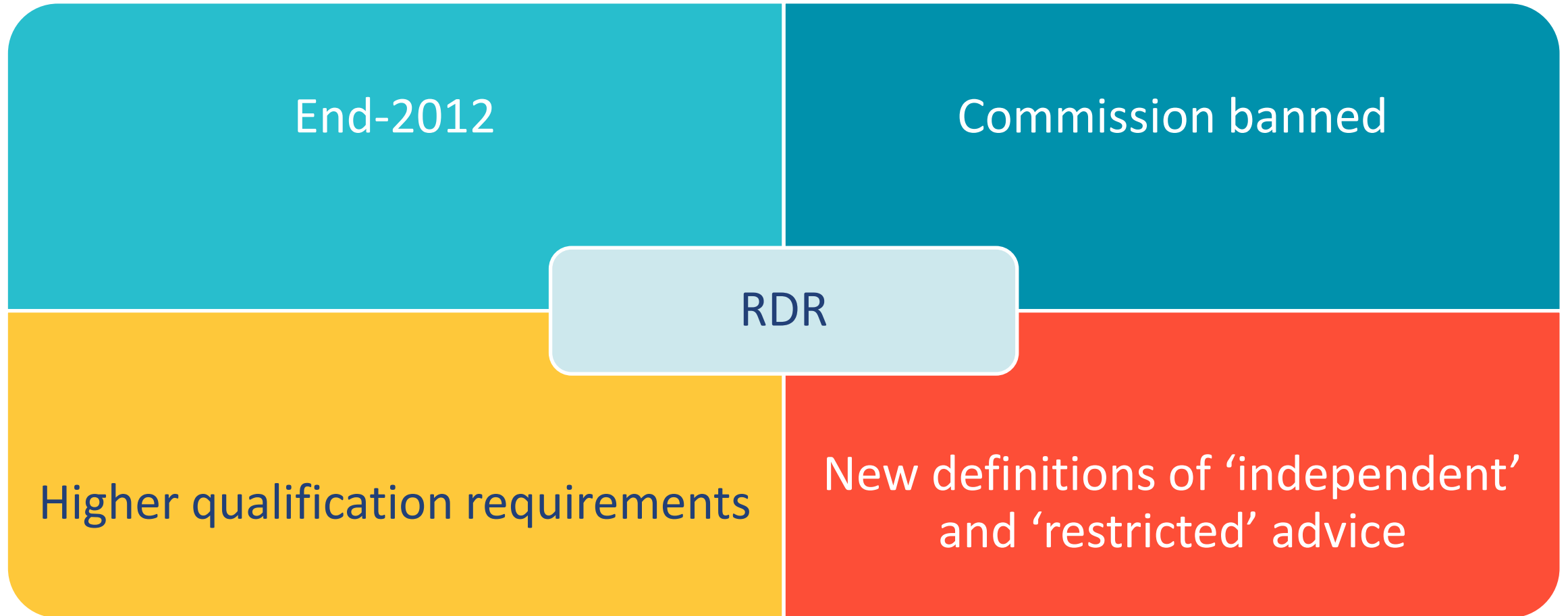
Platform

Agenda

- The impact of the Retail Distribution Review – the UK ban on commission
- Second order effects – technology in the advice process
 - Hunters vs farmers
 - Planning or portfolio management?
 - Power in the value chain, and who pays for tech?
 - Commercialisation of advice
- What UK advice firms look like today
- Q&A

RDR impact

What was the Retail Distribution Review?



Predictions of carnage...

Customers not prepared to pay

Advisers would exit industry

More restricted advice

Massive advice gap

Predictions of carnage...

~~Customers not prepared to pay~~

Advisers would exit industry

More restricted advice

Massive advice gap

- Customers continue to pay
- Demand outstrips supply
- Advisers rarely compete
- Little marketing
- Advice fees have gone up

Predictions of carnage...

~~Customers not prepared to pay~~

~~Advisers would exit industry~~

More restricted advice

Massive advice gap



- Adviser numbers increased
- Banks left, now coming back
- Numbers continue to rise

Predictions of carnage...

~~Customers not prepared to pay~~

~~Advisers would exit industry~~

~~More restricted advice~~

Massive advice gap

- Independent advice remains strong
- Around 2/3 advice revenues
- Customers want holistic advice

Predictions of carnage...

~~Customers not prepared to pay~~

~~Advisers would exit industry~~

~~More restricted advice~~

Massive advice gap

- Average number of ongoing clients per adviser fell from ~400 to only 122
- Millions without access to advice

Technology in the advice process

Hunters or farmers



- Initial charges and winning new commission streams
- Best client those requiring little service
- Platforms the key piece of tech



- Premium service
- Fewer clients
- Back-office system now the focus
- Other tech: risk profiling, cashflow modelling

Portfolio management or financial planning

- Value lies in portfolio management
- Platforms link investors with product providers
- Confidence in value of planning
- Outsourcing portfolio management
- Model portfolio services
- Platforms as hubs:
 - Product providers
 - Wealth managers
 - Advisers
 - Clients

Shifting power



Product providers

- Took and distributed fees
- Influence through pricing
- Provided most tools

Advisers

- Advisers using models or templates
- Outsourcing
- Providers – little influence or visibility
- Whole new ecosystem of tools

Commercialisation of advice

J.C. FLOWERS & Co.

true potential^{LLP}

THE CARLYLE GROUP

 CALEDONIA
INVESTMENTS

Cinven

PERMIRA

PRESERVATION
CAPITAL
PARTNERS

WARBURG PINCUS

Fairstone 

AFH  wealth
management

Quilter

What UK advice firms' tech looks like today

Technology used in the advice market



Polarising views

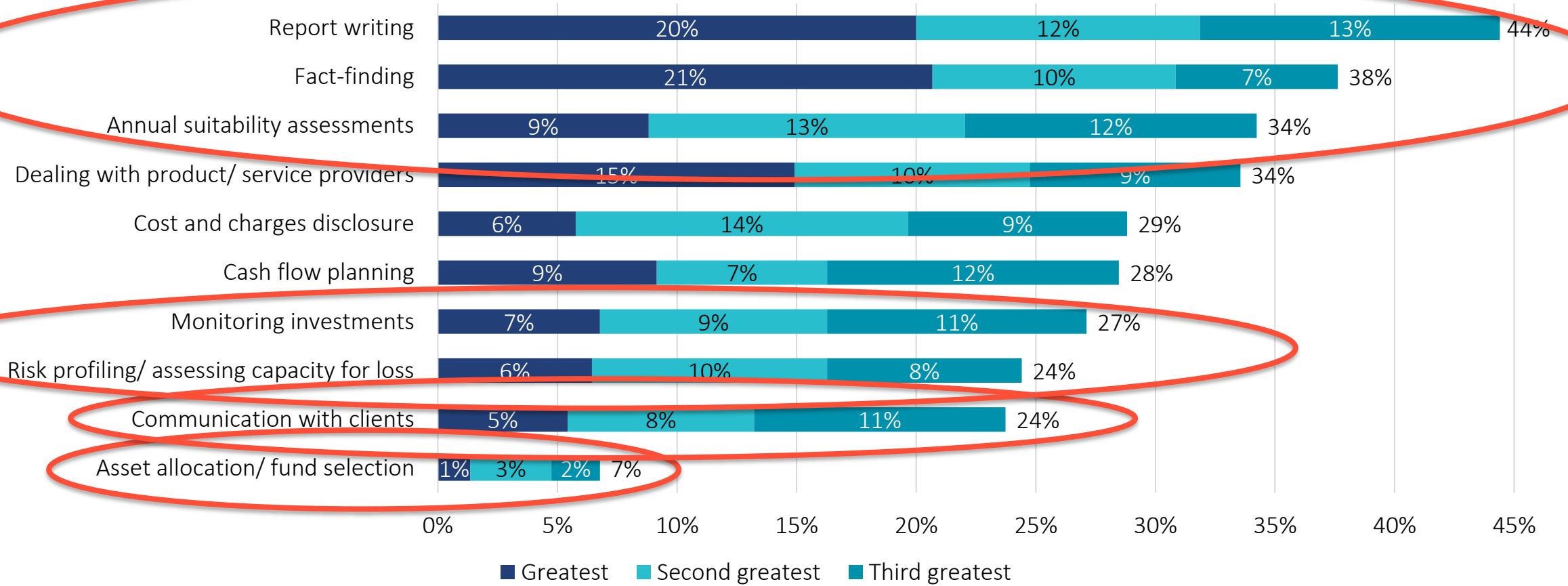
Smaller firms:

- Patchwork of tools
- Poorly integrated
- Little desire to spend resources on improving tech use

Larger firms:

- More interest in streamlining systems
- Looking for efficiencies
- More holistic use of back offices
- Improving integration
- Record keeping

Pain points... where tech could help



Platform thoughts on adviser tech use

- UK advice market in rude health.
- There's a mountain of tech already used in the advice process – remnants of a cottage industry means integration is a challenge.
- Technology yet to grapple with less structured advice processes.
- Need to reach multiple tipping points to achieve productivity gains:

Adviser
adoption

Client adoption

Comprehensive
data

Trust

Q&A

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