

The shift from provider to investment partner.

Speaking at a recent Glacier by Sanlam webinar, NMG Consulting Principal Consultant Evan Baars outlined what it takes to make the shift from service provider to investment partner.

Service

Firstly, service is critical. This has become more of a hygiene factor in the UK, while South Africa has a way to go still – likely enabled by technology (paperless, intermediary and client self-service processes).

A survey of financial intermediaries showed that serviced was ranked as highly important in SA (9.3 out of 10) versus 4/10 in the UK. The respondents understood service as accuracy, or issues being sorted out quickly when they do arise.

Technology was rated 8.7 out of 10 locally, versus 5/10 in the UK – with technology being a clear frontier for development, particularly in SA.

Price was ranked 8.0 out of 10 locally, versus 2/10 in the UK. Investment platforms are generally under downward pressure in terms of fees but in this respect, SA is not too far behind the UK. Investment platforms are the lowest margin part of the value chain (when administration is isolated) therefore reductions will be driven by efficiency in costs.

Partnership

Advice firms are establishing or formalising their advice and investment process, and investment platforms should look for ways to support this.



A survey of discretionary fund management (DFM) usage, conducted amongst 150 SA independent financial advisers, showed 77% citing an increase in usage (versus 48% in 2018) and 23% remaining unchanged (versus 47% in 2018).

DFMs are very present in the local landscape and can play a role in developing a centralised investment proposition. They're not the only model, however, and some advisers prefer to operate without a DFM or to have their own category II licence.

A true "holistic" platform

Retail wealth asset pools are fragmented at present, but Evan expects these to intersect (funds and shares, local and offshore and life investment products) via a single platform.

These categories represent a significant pool of assets and are expected to consolidate within SA. Investment platforms in the UK are currently ahead in this space. There's an opportunity for intersection between life investments and investment platform business (life and living annuity), especially in the retirement space. Creating this will contribute by enhancing intermediaries' value propositions in providing holistic advice and quality on-going client servicing (reporting).

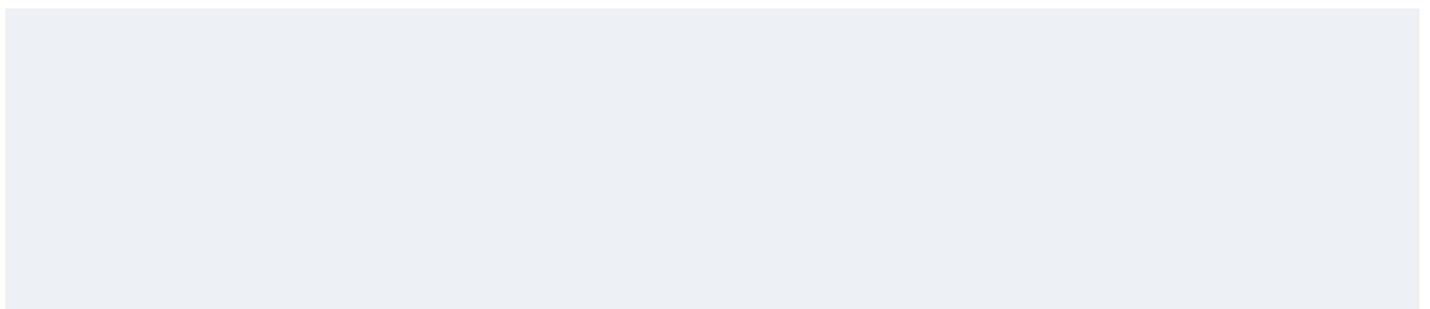
A significant growth in offshore is evident. A survey of SA advisers in 2020 showed 88% increasing their offshore allocations (direct offshore) and 84% of advisers using offshore life wrappers.

Evan sees an opportunity for investment platforms to bring these pools of assets together, especially with improving technology in the industry. An integrated front-end is the first stage, with back-end integration generally the next phase. The UK has gone through this process already, mainly through re-platforming.

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