OPEN DOOR POLICY

BUILDING PROPOSITIONS

Open Door Blog #4:

All roads lead to technology.

The march of tech

Pope Benedict XVI celebrated his inauguration in 2005, and as you would image it was awash with celebration. Here's a view of St Peter's Square

In 2013, 8 years later, Pope Francis was inaugurated. Here's a similar view.

A completely different viewpoint. What happed? Technology, that's what happened. In the intervening years Apple launch the iPhone and the whole world pivoted.

The Apollo program carried out by the National Aeronautics and Space Administration (NASA) landed the first men on the Moon from 1968 to 1972. Apollo's computer required about 145,000 lines of code in all, compared with about 62 million lines of code required today to operate Facebook and more than two billion lines of code for Google.

Putting that into context, if the lines of code were seconds, then the code required to land man on the moon converts to 1.69 days. To operate Facebook this coverts to 1.96 years. And for Google? 63.42 years.

Regulator expectations

This is technology, getting bigger, faster and smarter and it affects our profession the same as any walk of life. If we take the advice process from start to finish we have information gathering via 'know your client' through to risk management, research and due diligence and eventually recommendation. There are a number of expectations from the Regulator which help guide this advice process:

Adviser charging: This was highlighted in great detail in The Consumer Duty, where firms should identify their cost of manufacture which in turn leads into the pinpointing when a product or service becomes of value.

Risk management (client and solution): FG11/5 and FG12/16 detailed risk management, both these publication are over 10 years old now, so it's not like it's a new concept. The main thrust is to ensure that the investment solution matched the description of the risk the client is willing and able to take.

Product governance: In itself, pretty dull but it's a superstar when it comes to designing a CIP / CRP (combined CIRP – Centralised Investment and Retirement Proposition), it's the engine house. There are three main elements, firstly segmenting a client bank based on particular client circumstances which is commonly pre / post-retirement, or decumulation / accumulation. Second is to sort out what investment solutions, products and platforms will best meet client needs, basically identifying relevant financial instruments (RFIs). The third part is to identify the most appropriate RFIs and conduct research and due diligence to sort out the good guys from the not so good guys.

Research and due diligence: According to the Cambridge Dictionary research can be described as a detailed study of a subject, especially in order to discover (new) information or reach a (new) understanding. In our profession it involves a systematic approach applied to the whole of the market in order to identify the most suitable instruments when making recommendations.

Creating a CIP and CRP (combined CIRP): This is the creation of a methodology which enables a firm to systematically identify the most appropriate instruments, basically everything above, charges, PROD, risk management and research. All documented so a house view is built.

Throughout this advice process, taking into consideration the Regulator's expectations and guidance, making sure all firms build propositions that support good outcomes, technology plays a major part.

Tech adoption

The adoption and use of tech is arguably the biggest component of an advisory business, it drives accuracy, makes processes faster and more efficient, removes errors and risk, aids in research (it can actually be all the research), supports the formulation of complex investment and retirement strategies.

According to Digital Adoption [What Is A Technology Adoption Strategy & How To Spot A Good One? (digital-adoption.com)] there are several particularly good reasons as to why an organisation needs a user adoption strategy for technology:

- Minimises Customer Churn and Improves Customer Lifetime Value
- Accelerates Productivity and Efficiency
- Empowers a Company To Focus On More Innovation In The Workplace

It requires thought and a controlled roll out, with key steps identified and back up by detailed training and development. Why then, does this not happen?

In the hundreds of consultancies Open Door Policy have had experience of, it's common to hear:

- "We have [insert software name here] but I don't thing we use it properly"
- "This [insert software name here] isn't really up to the job, I can't understand it""
- "We probably could do with looking at it all properly"

If you are spending £big amounts each month on software why in the world would you not invest in proper, focused adoption, development and training. And remember tech is for life not just for Christmas, it's an ever moving feast with updates, new entrants and the ever evolving regulation.

That in itself means tech should be reviewed on a regular basis, just as for example your CIP and platform research is. Interestingly in TR24/1 (the one about Income in Retirement) the Regulator made mention of software due diligence and ensuring assumptions used are justifiable, so guidance suggests that firms should be reviewing their tech.

The Apollo guys at NASA would have known the 145,000 lines of code inside out and back to front, to get the best use out of their limited resources. Maybe as an industry we should all follow this path and invest time and money in software research, adoption and training and ongoing maintenance.

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