Why Embracing Technology in Financial Services Is Crucial for Adapting to Rapidly Evolving Consumer Behaviours

Contents

Introduction

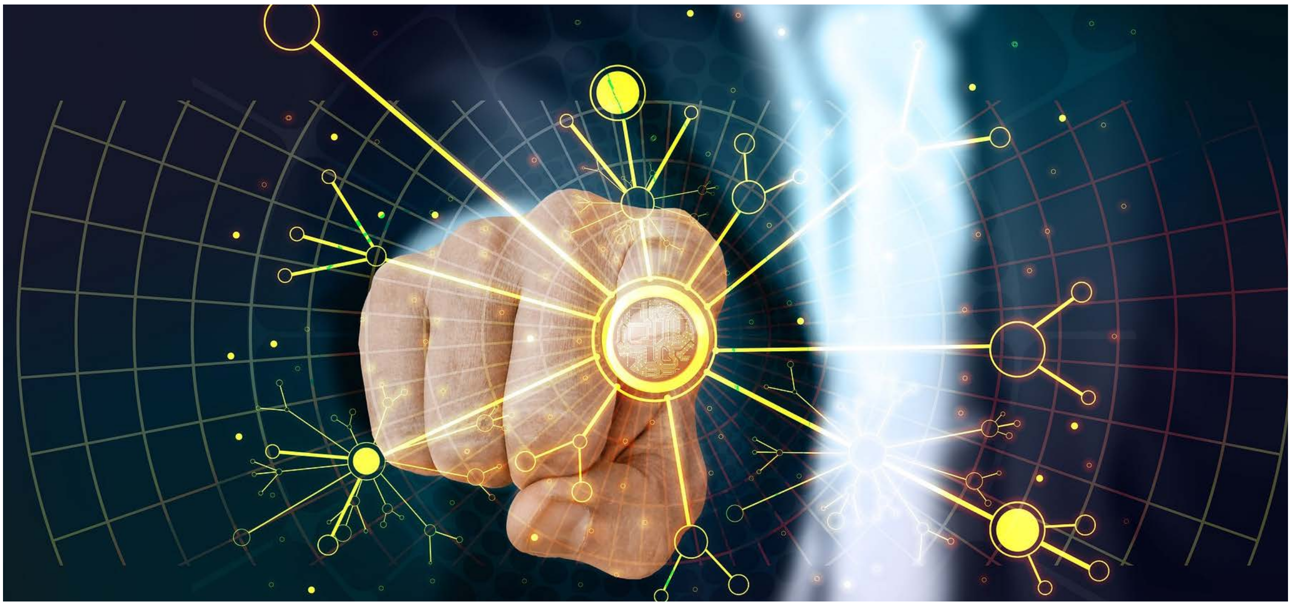
The rapid development in technology over the last few decades has drastically changed how we interact with each other, how we communicate, how we spend and save money and how we engage with businesses.

The Financial Services industry, in particular, has seen consistent disruption because of technology and consumers" changing behaviours due to digital advancements.

> **In fact, research from Mintel found that 46% of consumers who sought financial advice between 2020 and 2022 used an online service.**

Over the years, consumers have increasingly come to expect easily accessible, fully personalised digital products and services. Financial institutions everywhere have been forced to rethink their product offerings and approach to customer service. The pandemic only accelerated this, and now, in a post-pandemic, hyper-digital world, the need for financial services providers to differentiate themselves with technology is crucial for maintaining relevance with customers.

Luckily, consumers and financial institutions alike stand to gain from this technological advancement. New technologies like automation and artificial intelligence (AI) enable more efficient processes, better customer relationships, reduced human error and improved profitability, and what will set service providers apart in the coming years is their ability to leverage these innovations to improve their customer experience and how their customers interact with their own money.



In this guide, we explore just what impact technology has had on consumer behaviour and how financial services providers use technology to keep up with changing consumer demands.

How financial services are embracing technology

Things like AI-assisted banking apps that help customers manage their money more effectively are now used daily by millions worldwide.

> **According to research, 93% of the British population used online banking in 2022 - just shy of 63 million people in the UK alone.**

Similarly, machine learning technology is helping financial services better leverage large volumes of customer data to match products and services precisely to individual customer needs.

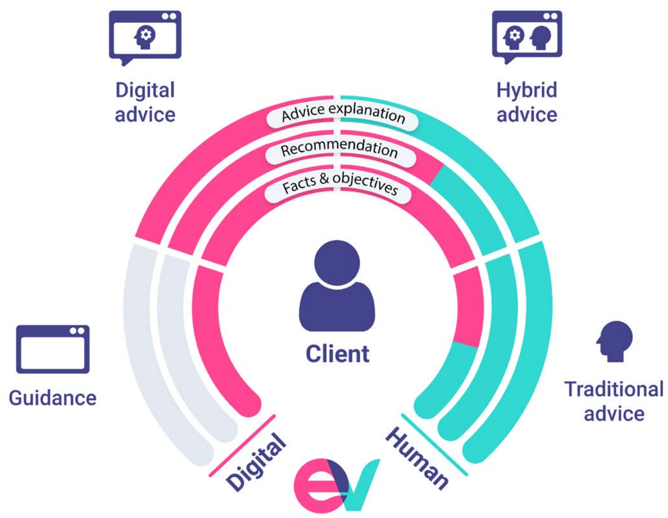
These are just two of many instances driving customers' personalisation expectations. While large institutions like banks are embracing technology to cater to these expectations, businesses across the wealth management spectrum are also exploring how technology can help them meet a host of client demands.

For providing the right advice path

Financial planning firms are using technology in their advice processes to create digital and hybrid advice paths that allow them to deliver financial advice in the way best suited to their clients, thus meeting them exactly where they are on their financial advice journeys.

With the help of technology, advisers can be as hands-on or hands-off as their clients require, at every stage of their journey. As a client's journey progresses and their needs become more complex, technology enables advisers to adapt quickly and easily, and step in as necessary.

For example, a client may start their financial advice journey with simple self-guidance for products and investments like ISAs, in which case, technology alone is usually used. But human intervention may be required as their needs change and grow in complexity, such as acquiring financial protection, releasing equity and consolidating pensions. At this point, an adviser may need to get involved. With a comprehensive technology solution, clients and advisers alike can move seamlessly from fully digital to hybrid to traditional advice paths as the client's needs require.



For automating the delivery process

In line with meeting clients where they are on their advice journeys, technology also enables advisers to streamline their delivery processes and serve more clients more efficiently at every phase of their advice journey.

With traditional financial advice models, it's up to the adviser to consider all necessary factors, objectives and variables when delivering financial advice to clients – a process that takes considerable time and effort and limits advisers' capacities. Fully digital and hybrid financial advice, on the other hand, differs from traditional models specifically because automation technology comes into play when developing and delivering client solutions.

From finding facts and defining objectives to making recommendations, automation speeds up the entire delivery process by automatically accounting for the numerous variables associated with a client's needs, before offering them (more plausible) forecasts and solutions in line with their goals.

Considering that, according to **Money Marketing**, less than 10% of UK investors are receiving ongoing advice due to a shortage of financial advisers, automation can help stretch advisers' capacity, allowing them to service more clients more regularly and efficiently.

How technology can meet consumers' rapidly evolving behaviours

Over the last two decades, technology in the Financial Services has affected change in consumer behaviours in a number of ways, including:

Online banking: Consumers can now access their bank accounts online, check balances, pay bills, transfer money, and even apply for loans without having to visit a physical branch.

Mobile Banking: The widespread use of smartphones has led to the growth of mobile banking apps which provides easy means of access to a customer's account. With these mobile apps, consumers can manage their finances on-the-go through their smartphones.

Personal Finance Management tools: Various software applications have introduced financial management services which give consumers more control over their finances. These tools track spending habits, analyse trends, and offer suggestions to help users save money.

Payment Systems: Technology has also changed the way people pay for goods and services. Contactless payment methods such as Apple Pay, Google Wallet and PayPal have made it easier to make transactions quickly and securely. These payment platforms have decreased the need for cash or physical cards.

Beyond meeting clients where they are in their advice journeys, there are a number of evolving consumer expectations and behaviours that technology can help financial service providers meet, and even keep up with as they continue to change as a result of technology. The good news for firms is that this technology isn't difficult to adopt.

Thanks to API technology, firms can easily embrace modern financial technology solutions. This, in turn, makes their processes more flexible and adaptable, enabling them to provide the **digital and hybrid advice** their clients want more quickly, thus meeting their demands faster and with minimal effort.

On the next page are some of the key consumer expectations technology can help firms meet.

Consumers need affordable advice

With the onset and expansion of the 'advice gap', financial advice is becoming increasingly inaccessible, especially to those who need it the most. Open Money's 2021 Advice Gap report found that around 6 million people – approximately 12% of the UK adult population – want financial advice, but think it costs too much.

Moreover, the has expressed concern that consumers with largely cash-based assets will steadily lose purchasing power as inflation rises. This reveals the need for greater financial inclusion to enable consumers to make more effective investment decisions. Still, without a scalable mass-market advice solution, only those with the most assets will continue to be able to access and benefit from financial advice.

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However strong the need, the fact remains – financial advice is costly, and consumers want and need more affordable advice. Luckily, with the help of technology, advisers can start bridging the advice gap by providing more cost-effective financial advice to those who need it but usually can't afford it. By leveraging modern financial advice technology, firms can offer affordable, high-quality advice to a wider range of consumers who otherwise would have been unable to afford the costs of traditional financial advice.

Consumers want to be more actively engaged in their financial planning, with 24/7 access to their portfolios

With the development of technology, we've become increasingly reliant on having instant access to information whenever we want, including with the financial services we use.

> **Consumers want to be able to access advice 24/7, and they want greater control over their financial planning.**

As such, they expect to be kept informed at every stage of their advice journey and to better understand the financial advice they receive through instant access to information.

With these expectations in mind, it's imperative that financial advisers and firms adopt technology that accommodates traditional, hybrid and fully digital advice processes. Hybrid advice technology, in particular, allows clients to access financial advice in a way that's convenient for them, enabling them to review their portfolios, financial goals, investments and asset allocations at any time of the day or night.

This approach removes the need for adviser intervention for simple financial decisions – thus making adviser processes more efficient – and increases customer financial wellbeing. Because technology gives clients greater visibility of their financial situation, they can better understand the advice they receive, know which changes to make, and feel more involved in the financial planning process overall.

Consumers are affected by more complex financial influencing factors

The risk factors that influence a customer's financial planning and advice journey are more far-reaching and complex than just industry and market-related factors like inflation. There are environmental, psychological and interpersonal considerations that need to be kept in mind during a client's's advice journey, especially for the younger generation of clients.

In the same 2021 report, Open Money found that 9% of 18-to 24-year olds use social media like TikTok and Instagram for financial advice, compared to just 3% who had paid for professional advice. Thanks to technology, advisers can not only offer cheaper advice to the next generation of clients, but they are now more equipped to handle behaviours like these that can affect a client's financial decisions, simply by being aware of what factors younger clients bear in mind when seeking financial advice, and the sources they go to for financial advice.

> **9%** of 18-24-year olds use social media like TikTok and Instagram for financial advice.

Advisory technology can support an adviser in understanding the risk profile of a client's portfolio more comprehensively with features like digital questionnaires which can be completed by clients prior to a consultation. These insightful questionnaires shed valuable light on a client's goals, challenges, and psychological and financial behaviours, which enable more productive conversations between clients and advisers.

Additionally, this technology also offers advisers the capability to harness expertise from sustainable investment experts, psychologists, vulnerability experts, etc. by integrating with best of breed providers who offer these insights from a wealth of knowledge bases and sources. These specialised insights allow advisers to create more personalised financial plans that factor in these complex considerations over and above generic market considerations.

This more holistic and personalised approach improves clients' financial wellbeing because more effective financial plans enable more realistic goal-setting and future modelling, which boosts client confidence in adviser recommendations, which in turn drives new business referrals, testimonials and ultimately AUA.

Summary

As technology evolves, so too do consumer expectations and behaviours. For financial service providers to maintain and grow their market share, they need to adapt to the times. If leveraged optimally, the benefits technology provide make the transformation worth it for financial management and advisory firms.

By embracing technology, advisers can efficiently meet their clients' evolving needs now and be in a favourable position to easily adapt to future trends with the agility technology affords. With the help of technology, client advice journeys can range from, and shift seamlessly between, digital and traditional models, account for individual client needs, and keep clients involved and engaged throughout their financial lives.

From an adviser's perspective, technology that supports clients in this way also supports them by easing up processes, automating manual tasks, and increasing adviser efficiency – all without costing clients more than they can afford for financial advice that's sorely needed.

If you would like to learn more about digitising your advice processes, our **handy guide** to embarking on a digital advice process offers some useful insights to get you started. Or, if you would like to discuss your changing client needs and how technology can help you meet these, **contact our team of digital advice experts** now.

About EV

EV is one of the UK's market-leading digital financial planning solutions providers. We have operated as an independent organisation for over a decade, backed by a further 18 years of financial services consultative experience. We connect and empower our intermediary financial partners with intuitive, customer-centric advice, guidance software, and investment solutions.

We have a history of developing engaging tools that help financial advisers and their clients navigate the complexities of financial markets, ultimately delivering simplified financial planning and enabling clarity over investment options, cash flow forecasting and aligned client risk profiles.

Powered by our proprietary market-leading stochastic asset model, our powerful calculations and strategic multi-asset allocations are used globally across the financial ecosystem by financial advisers, pension and platform providers, asset managers, banks, and building societies, to name but a few.

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