

Firing Line



Making sure that technology for advisers still has a human touch

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Ray Young, founder and owner of 3QSolutions, talks to Kate Hughes about the role of software for IFAs and the most important developments heading for the market

Financial Adviser: Can you tell me how 3Q Solutions got started in software development for financial services?

RAY YOUNG: What we saw was that in a regulatory environment you, of course, have to do what the regulator says but not to the detriment of the customer. However, a customer still needs to be educated and influenced to make a decision, so we merged these two themes into our model.

We knew that we needed something special when it came to software solutions for IFAs. We put a huge amount of investment into interaction design so we used things like human behaviour analysis. This means that we have people who have one eye on the technical side and one eye on the business and customer side. We literally ensure that the human experience of using our business models and the software that supports it is something the humans that use it enjoy.

The financial services industry is a very human game, just like almost any other business. And when you take the humanity out of it, you lose a certain richness.

FA: What role do you believe software should play in an IFA office, or in the advice process as a whole. Is there danger of busy IFAs relying too heavily on print outs?

RY: One of the problems we found with previous systems was that they were enclosed. You had to go through a defined route to reach your answer. When an adviser has a customer in front of them it does not go like that. One of the things we built into our software was huge

flexibility and huge navigation. Let the adviser and client dictate exactly where the conversation goes, the software must support that.

From an IFA's point of view, they have a massive market to deal with: the regulator says you must give best advice, and the key thing is that best advice is defined when the client never complains and does not have reason to. You must have tools to strengthen the collaboration between the adviser and the customer.

IFAs really need to get out of the situation, when they are giving advice, that the client sees it as a one way street. Once you get to a collaborative discussion, you start to get a lot fewer complaints. You will also find that people do not have terrible knee jerk reactions resulting in situations like bear markets.

It is a guarantee, for example, that if you purchase a pension today, at some stage in the next 18 months the value of that will go down. You must set expectations for things like pensions so people are prepared for them. There is a situation at the moment where pension funds are not increasing because people are getting out of them too quickly after seeing statements that the regulator rightly insists that the client receives. A pension benefit statement for the first two or three years, does not look pretty, but the client has not had the anatomy of a pension explained to them.

FA: How do you incorporate technological sophistication and simplicity of use?

RY: The key is interaction design. In my experience, you put technology people and allow them to be the visible side of the business, both on screens and on paper. Their capability is in dealing with models. On the other side of it, we have to have human-to-human interaction. What you must use is behavioural science. While the software carries out incredible calculations underneath, what you get on the surface is a series of clear messages interpreting the numbers.

So, for example we have a number of psychometric tests that help the adviser understand and engage with the client to assess their attitudes to, for example, risk within a context. Underneath, this is a mathematical model that will come up with a range of asset allocations, expected returns, tolerance of loss that can allow you to make decisions later on with confidence and it is a collaborated

decision making.

FA: Should a good IFA not be able to assess a client's financial present and advice on the future without the need for software?

RY: That is a physical impossibility, because there is simply too much mathematics involved. Getting a balance sheet together, talking to banks and getting information then manually doing the sums will take months. And that is only scratching the surface.

Researching in depth strategies for each client can easily take years. Most IFAs cannot afford that. Besides which, a client needs to have information in only a few weeks.

FA: Does software such as your company's not threaten to make IFAs redundant?

RY: Absolutely not. The key to all of this is the human relationship between adviser and client. It is well documented that we have had a number of initiatives that have failed like ebroking that the IFA just sits in front of. They have all failed to return the investment. Money is too important to be left to a machine. People inspire confidence, machines do not.

FA: Software should be readily accepted by young professionals, but the average IFA is not as young as he may once have been. Why is this the market for software solutions?

RY: If you look at the IFA market, it is clearly a very dynamic one. The new breed of IFAs that are coming in are influencing the integration of software solutions into everyday business practice alongside their more experienced colleagues.

A good IFA looking to grow his business will use whatever appropriate tools are available regardless of his or her background. But it is true, we may not be able to help those people who are not looking to grow their business – perhaps a one-man-band who has already retired in his own mind.

FA: What do you think are the most important software developments coming through for IFAs?

RY: I have looked through the details of A-Day and from the customer's point of view I am concerned that high expectations are being set that will not be delivered. Looking at how much you can put into pensions and how and when is only part of the story. I do not think it is going to have the effect that the FSA

and the British government are hoping for. People need to understand the anatomy of pensions and IFAs are in the best position to do that simply because of that all important face-to-face relationship.

What software helps do is deliver the complex themes of financial services as direct messages for clients. What I would say to an IFA looking for a piece of software is not to look just at the screens, look at the underlying business model. Be certain that you can use that to its full advantage and that it complements your own business methods. Then look at what it presents, and if that is a series of clear concise messages rather than a bucket load of numbers, that you can relate positively to your clients, that is what you want.

FA: Where is IFA software development going from here?

RY: For our own part, wealth planning is something we have introduced to a number of clients. That will probably be our core proposition in the next 12 to 18 months. The target markets that we are aiming for are obviously sophisticated IFAs and the bank assurance market.

Our value propositions when we go to see potential clients is that they need to keep their customers loyal, but at the same time they need to increase closure rates, in other words give the customer the best possible proposition, which is based on all their previous conversations. The other is to fill their pipeline. When you know exactly where you are going next, the customer needs to know where they are going next. It is great talking about the value to the client, but the IFA needs to increase the value of their business.

It has been fashionable to publish mission statements, but as a colleague of mine said there is only one mission statement that ever applies and that is "keep customers happy."

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