RDR update

With a 'small rainforest' having been consumed to create the many publications that make up the FSA's RDR proposals we received another three papers at the end of March which have been read and digested by many in the industry. Further publications are expected in the summer and beyond, so the RDR continues to evolve, albeit the major themes of change remain as originally intended.

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Many are using the evolving nature of the information flow as a reason to delay their commitment to the big changes that advisers face. Delaying what should probably be done today is likely to increase the degree of difficulty and cost of what could be a steep learning curve. The later firms leave their preparations the greater the chance of failure to meet the new standards and behaviours that RDR is placing on advisers.

The reality is that we now know enough to start preparation and make progress on the path of change management. As an example, the move to fees is clear and unlikely to change, regardless of the result of the general election. Many of the impacts of this move are understood and can be planned for, now. In an industry that relies so much on its own service of helping customers to plan for the future, advisers that fail to plan for RDR are planning to fail.

Fees will put distribution costs in clear focus for all and this will drive a need for efficient business practices. Gone are the days that businesses could be run on paper or home grown spreadsheets. Whilst some argue that these are legitimate methods of recording business (although slow methods of doing so) they do not drive business efficiencies and inefficiency has a cost that will affect how competitive a business can be in relation to one that has embraced technology and process improvement. An effective practice management system can streamline the sales support and administration processes, allowing the adviser to spend more time doing what the client values most – giving face to face advice. Such systems need to be able generate 'customer-centric material, reports and recommendations in a compliant manner within minutes not hours. They need to give access to data at the touch of a button coupled with being able to access product pricing information and streamline the application process. When customers are faced with paying for the explicit cost of advice and service they will be more interrogative of value and the reduction of waste.

They will demand regularly updated portfolios, which is just too expensive to achieve manually. Many back-office systems now provide electronic contract enquiry links to product providers that can make large savings in this area. The links need to be carefully set up, and firms would be well advised to obtain outside expertise and help to achieve this, but once in place service levels increase and costs decrease.

Client expectations increasingly will be that they are proactively contacted when key events occur and this proactive service is virtually impossible without the support of a (CRM) system. With many systems comes the ability to set alerts on key events in a client's profile, or a fund's performance which then provides the adviser with a reminder to contact the client. All good

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Practice Management systems should have an effective search mechanism so that clients with common characteristics can be quickly identified for effective marketing and support. So, if and the adviser wants his clients to exit a fund because of a particular event such as a fund manager leaving, all clients holding that fund can be easily found and contacted.

Many firms will need to reorganise and we are seeing a growing trend towards servicing each client with a number of specialist advisers rather than one generalist. Firms are using teams of experts to address different needs' areas, say a retirement specialist, a tax specialist and an inheritance tax expert, working together to serve the provision of effective financial advice that can clearly justify a fee. Such teamwork can only be possible with a strong contact management system which logs all significant contact points, including relevant compliance events and then shares data and information to support collaborative working.

RDR is certainly more significant than most of the past regulatory changes we have faced, but the Regulator has provided a regular flow of communication and consultation so the emerging picture should not be a surprise and is something that we ought to start dealing with now. On the other hand if we play a waiting game, the chances are that we will be hitting the FSA's timescales reactively rather than proactively and that might result in business failure for some.

About AT8 Group

AT8 Group Limited is an innovative consultancy company with knowledge, skill and experience across a broad range of Financial Services and IT related disciplines.

Our core areas of expertise include:

E-Commerce (Research Tools, Financial Planning, POS, Portals, Training and Competence systems)

Helping Advisers and Product Providers select and implement the best tools in the market, avoiding the many common pitfalls that organisations make.

Corporate Management and Direction

Working with the executive of companies to guide and drive strategic initiatives.

Process Improvement/Change Management

Helping to design new, effective processes to meet regulatory pressures and improve efficiency.

Regulation/Compliance

Providing an insight to legislative and regulatory change and helping clients structure their businesses accordingly.

Sales and Marketing

Helping companies formulate and execute effective sales and marketing plans.

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