Exchange rated

AT8's Mark Loosmore continues his practice management reviews, this week visiting 1st Exchange to discover how it is readying its systems to meet RDR requirements

Returning from summer holiday I couldn't help but notice that the shops had changed. All of the summer goods and clothes were out or on sale, and the Hallowe'en and, in some cases, even Christmas goods were on the shelves. In short, time is passing by quickly: 2010 is nearing an end; it will be 2011 very shortly; and 2012, with its RDR implications, is approaching fast.

As AT8 has been reviewing the practice management solutions, we have been keeping a firm eye on how the vendors are positioning themselves to meet the implications of RDR.

For the vendors of these solutions the challenge is not insignificant. They need to react now to ensure the systems are ready long before the RDR deadlines so that their larger clients can go for a robust test and roll-out cycle. However, the detailed requirements are still evolving and it is likely that experience and competition will cause them to go up to December 2012 and beyond.

Big spenders

There are a handful of vendors that have the Research and Development (R&D) spend and industry experience to drive forward proactively and manage this change. One such example is 1st Exchange. With the largest turnover in this sector, the biggest client bank and the financial backing of Lloyds Development Capital (LDC), it is not surprising that its R&D budget exceeds the annual turnover of some of its competitors.

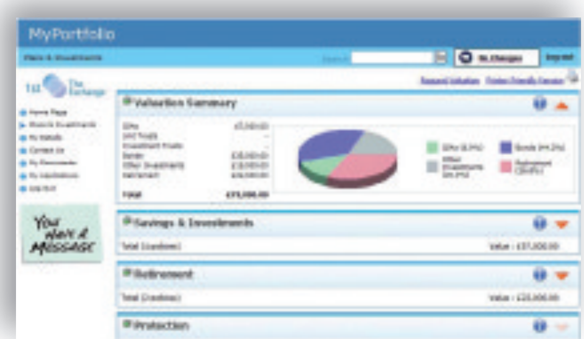
AT8 spoke to Paul Yates, strategy and business development director, to get a better understanding of where this investment is being placed. The first area of investment is in a technical refresh. To date, 1st Exchange has done extremely well in taking and maintaining market share. Its more recent success has been with firms looking for a strong functional fit rather than a strong technical architecture. The solutions have been pulled together from a range of different product sets within the 1st Exchange stable, many of which are now based on ageing infrastructure.

With the recent acquisition of N4 Solutions, it has obtained a more modern online platform onto which it is now actively migrating its strategic functionality. The process will not happen overnight, but we do expect to see some early achievements. And not surprisingly, these are closely tied to where 1st Exchange sees the priorities for operating effectively beyond 2012.

At the top of the list is the new 'Wealth' component that will allow portfolios to be rebalanced more easily, enable financial projections to be run and detailed reporting on portfolios to be produced. We had a preview of this module, and it is promising much with an ambitious range of functionality to take on suppliers such as Prestwood, with its Truth Financial Planning Software.

Portals for change

A second area in which we are interested is the launch of the Client Portal. The Portal module will expose core data and reports that are held on a client to the end consumer themselves. It will act as a secure messaging solution between the client and adviser and a central document storage facility too. In doing so, the adviser can create an enhanced service proposition for key clients and justify ongoing fees based on continued access to the IFA and the information it holds. 1st Exchange is maximising the use of new technology in demonstrating this functionality and delight in showing the service interacting with both the iPhone and Blackberry smartphones.



Closely coupled to the Client Portal will be the Adviser Portal, which is designed to provide the adviser with the same information as the client.

Focusing on these new developments should not mean disregarding its existing suite of solutions and in particular in the context of these practice management reviews, the legacy but still dominant Adviser Office.

Adviser Office is functionally rich, albeit a little old-fashioned in its user interface. One of the most beneficial and important functions of a practice management system is its ability to support electronic valuations and Adviser Office has more contract enquiry in place than any other vendor.

It also offers bulk valuation services with Acentric, Charles Stanley, Fidelity, Novia, Skandia Multifunds, Cofunds, Elevate, Quilter, MetLife, Nucleus, Octopus, Parmenion, Pershing, Principal IM, Raymond James, Transact, Wealthtime.

Similarly, its reach among the product providers to support electronic commission reconciliation is second to none. Add in its sister product Exweb as the most comprehensive quote-and-apply portal and there is no denying that it has a powerful product set.

Wide support for users

An area of investment for 1st Exchange is in supporting its large community of users. The user conference is always a worthwhile and well-attended event. It publishes relevant and thought provoking research, runs effective training sessions and mans a well-staffed helpdesk, which is all aimed at supporting the customers.

In a recent report produced by AT8 that compared practice management systems, we rated all of the suppliers by industry standing, which was a combination of the size of client base, size of company, length of trading history and industry knowledge. It is perhaps no surprise that 1st Exchange scored the highest on this rating.

1st Exchange may face an issue in that its success to date and the breadth of its product range brings with it a huge technology legacy to manage. For example, speed in development and bringing new modules to market may have been slower than the firm would have wanted (the financial planning solution was originally scheduled for release in September 2009 and is now looking to be released in the December 2010 solution).

The firm sees its recent acquisition of N4 as the answer to this, with the migration of key functionality to this strategic platform as the way forward and the pedigree of N4 is encouraging. However, the company must ensure it has a clearly articulated strategy for linking all of its components together and a clear migration path for existing customers.

1st Exchange remains at the heart of the industry and its investment in R&D and client engagement should help ensure it stays in this position. It has a breadth of solutions that few, if any, of its competitors can challenge. It faces a clear test: to integrate its solutions into a cohesive operating proposition. We look forward with interest to the integration of N4 into its business, which we believe has provided a sense of purpose that could enable 1st Exchange's vision to be realised.

KEY INSIGHTS

- The company has the ability to exploit a dominant position, based on history and financial strength
- It engages wth user groups to ensure product priorities are identified
- It has a detailed knowledge and understanding of the RDR and its implications
- It has a focus and drive to deliver what is needed quickly, which is not always easy for big firms