

Ecommerce Matters 4

Inside This Issue

- Pushing the Boundaries - innovation in practice
- Is the future all 'Wrapped' up?
- Parting the cloud around SaaS
- Twittering away
- The Wider Choice

AT8 Group Limited
The Elms
Leek Wootton
Leamington Spa
Warwickshire
CV35 7RR

Phone: 0121 314 2504
Fax: 08704 794074

E-Mail:
mark.loosmore@at8-group.com

Web Site:
www.at8-group.com

Twitter:
www.twitter.com/at8group

Welcome

Welcome to fourth edition of ecommerce matters, which brings together some of the thoughts and blog entries from the AT8 team over recent months.

The past six months have been turbulent to say the least. Ecommerce vendors who had previously been riding the stormy waters of the financial crises with some ease, have started to feel the pain. Redundancies, acquisitions and mergers have started along with a number of cut-backs as companies rebalance their resources.

We don't expect this to be a long term position; indeed we are already seeing new vendors coming into the market, positioning themselves for when the market starts to recover.

We have seen 'Broker CRM' announce their plans to come to the UK from Ireland and '2020 Adviser' is being launched at the end of this month. Profida and Voyant have also had major product launches in the last 12 months and are beginning to make in-roads into the market.

With preparations for RDR beginning to ramp up, spending in IT cannot be put on hold for long and distributors and product providers alike are already beginning to size up the job that faces them to compete in the post RDR world in 2012 and beyond.

Pushing the Boundaries – innovation in practice

"The past six months have been turbulent to say the least. Ecommerce vendors who had previously been riding the stormy waters of the financial crises with some ease have started to feel the pain."

Many of those that know me will have heard me rant about my dislike of the iPhone. In fairness, my dislike is more to do with the poor network coverage of O2 and I have slowly come to admire the usability of the iPhone. Indeed, I believe that when it is shortly available on 'real' mobile networks like Vodafone and Orange/T-Mobile (when their merger is finalised) it will be an immensely powerful tool. Its usability simply is in a class of its own and it makes remote access to basic office applications on the move a workable reality and not a gimmick.

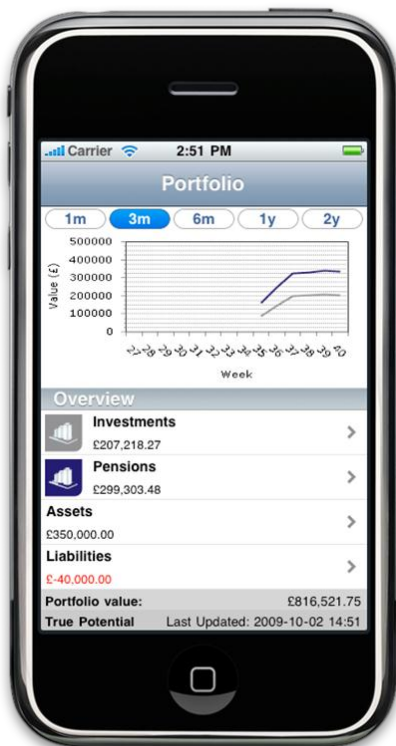
Thousands of applications are now available for the iPhone but until recently I have not seen a business application directly aimed at the financial planning market.

Last week I was pleased to see this is no longer the case when I visited True Potential, a company that provides the system and services infrastructure to support an IFA office.

As part of their solution, True Potential offer their IFA's a client facing website; it isn't a traditional brochure-ware site, as many IFAs have, but a real communication tool.

The site offers secure access to the client factfind, so that details can be reviewed and updated by the client prior to any meeting or review. It also offers secure messaging to help transport confidential documents and it provides tools to get the latest values for their portfolios so they can analyse and assess portfolio performance.

Excitingly, these functions are now available on the iPhone. To be fair, I don't imagine many will complete or even update fact finds on the iPhone (although sadly some will), but I can certainly see people reviewing their latest portfolio valuations on the move.



Is the future all 'Wrapped' up?

Although I have no direct evidence to support this feeling I sense that the past interest and motivation of IFAs to move towards using Wraps has become less certain in recent months. There is no doubt that the number of Wrap providers in the UK has increased in response to past demand expectations and this has given advisers a wider choice, but most Platforms are still loss making and still have some way to go to extend the range of funds and services expected of them by the IFA community and show that there is an on-going servicing relationship and this can help with fee justification.



However, the FSA has already said the move of customers to Wrap alone should not be used as a means of increasing the costs to the end investment capital. Ultimately, this may result in cross platform collaboration and/or M&A activity to effect consolidation. In the meantime, we await the publication of the FSA review and any proposed changes to how Platforms are to be regulated.

We are still waiting for the FSA to publish the results and conclusions from the Thematic review into the use of Platforms. However, with what has been written so far, there is likely to be a need for significant investment in extending the platform capability to ensure that they cover the whole market. The concern about whether one Platform can provide comprehensive and fair analysis of the market has already been expressed in CP09/18. As things stand, it would be difficult to see a single Platform meeting the expectations of the FSA. Indeed, the question may be what number and combination of choices would give this degree of coverage and how would an IFA manage such a combination to deliver the right customer outcome in a cost effective way. There would also be the challenge of how integration between any such combination and other Practice management technologies may work.

With RDR, the Provider backed Platforms will have to ensure and show that there is separation of influence between the use of the Platform and the sales of their products. As a result, the original motivation for the multi-million pounds of investment may be more difficult to justify – especially if the bigger investment and development is to expand the range of funds and investment vehicles, so diluting their own business customer.

Some of the Platform providers have sought to incorporate a range of tools and services into the Platform. Some even had aspirations that their Platform would be a source of all an IFAs needs. But many of these tools potentially duplicate those tools that are available via Financial Planning, POS and Back-office providers. These cost money to provide and as we move forward, the need and justification for this investment will become challenged, especially in relation to the potentially stronger pressure to invest in ensuring they have wider market coverage.

The pressure to invest in wider coverage when Platforms are still loss making and facing greater competition is going to be a difficult balance. The Providers will be losing the 'cross subsidisation' argument for internal funding and some of the 'Independent' platforms may struggle to raise the volumes.

Some of the motivation of IFAs towards the use of Wrap has been to move their business models towards a fee – FUM – rather than commission basis. However, there remains some question over the 'transparency' of charging on Platforms, both for Advisers and for the Fund managers. Transparency will need to address 'disclosure' (clarity) objectives and also ensure that there is no Product Provider influence over remuneration – hence potentially reinforcing the need to separate the Product Provider and the Platform Provider relationship. One of the benefits of Wrap is that they typically require

Parting the cloud around SaaS

IntelliFlo launched its IFA offering in 2004 and are held high by many as the first to bring a 'software as a service' (SaaS) solution to the adviser market. They are seen as the Salesforce.com of the financial software world taking on a brave new business model: chuck out traditional software licensing and delivery and allow an IFA to sign-up to use their product on a monthly basis all hosted 'in The Cloud'.

The evangelists will tell you this is great. Now we can buy software 'as a service' so someone else deals with all the expensive hardware and infrastructure, maintenance plans, backup and disaster recovery. We just connect over the web as we need to use it and pay on a monthly or even per-use, basis -simple, cheap and easy to use.



In fairness, it's not all hype. As the market for IFA SaaS providers grows, with vendors like True Potential and Solution 4 springing to mind, momentum is being gained. At the same time, big names like Standard Life and Allianz are dipping their toes in the water. However, the concepts of SaaS and The Cloud are not yet uniformly accepted, so we felt it was worth exploring if and where they can really add value in today's market.

But before all that, let's do a recap. What is actually meant by SaaS, where do PaaS and IaaS come into it and when did clouds become singular and stop being associated with the weather?!

Cloud Computing is a grand term, but it is actually pretty simple. For most of us, it is just the idea that you access computing services that are hosted by someone else and appear to you on the Internet. Okay, if you want to get technical you can take into account the massively scalable architecture of the emerging cloud platforms and if you're in the game of large scale computationally intensive data processing (e.g. back office consolidation etc.) this may be of more interest. However, for most of us 'the Cloud' is just an alternative place for our software or services to live instead of on our own servers. Perhaps most interestingly, the concepts underlying Cloud Computing are not new. They can be traced back to the very first commercial computing services. Yes ladies and gentlemen, the Cloud can be seen as mainframe computing hauled bang up-to-date for the 21st century!

So what does Cloud Computing look like in the flesh? Well, there are already a number of vendors out there with products on offer and more to come. The best established ironically is a book store. Yup, Amazon have lead the way into the Cloud with Amazon Web Services. In essence, they are allowing you to make use of their vast global IT infrastructure to run your own virtual servers. It's your choice of Windows or Linux and you effectively pay by the hour for the number of servers you're running, along with the storage you are using and the bandwidth you consume. But, with charging units being in pence rather than pounds it can look very attractive, particularly for development projects, system demos and other instances where you need a bunch of servers for a limited period of time.

Of course the boys over in Redmond don't like being left behind so Microsoft are now well and truly on the bandwagon. November 2009 will see the launch of the Microsoft Windows Azure and SQL Azure Cloud platform. It's been in public beta for a good long while now and is very similar to the Amazon offering. However, as Microsoft was keen to point out at a technology briefing your author attended earlier this week, "Azure is like Amazon but with some important differences". Pricing is one; Azure will (probably) be cheaper but only very slightly. Exactly what you can do with it is another, you get access to virtual Windows 2008 servers but not as an administrator, but then it does mean you only have to worry about uploading your application (not managing the OS) and they also offer SQL Azure on the platform, so you don't need to add and manage your own relational database.

Parting the cloud cont.

Underlying this differentiation is the difference between two of the three main types of Cloud Computing: Infrastructure as a Service, 'IaaS' (aka Amazon Web Services) and Platform as a Service, 'PaaS' (aka Microsoft Azure). In the world of IaaS you are just renting space and time on someone else's hardware and you can pretty much install and do whatever you like on it. In the world of PaaS you're taking a step away from the nuts and bolts and renting space and time on virtual servers that someone else is managing for you. It's like the difference between leasing a car vs. contract hire. The former feels like it is more yours but you take the risks of servicing etc. while the latter is very much theirs but they look after everything.

I mentioned three main types of Cloud Computing. What, I hear you ask, is the third? Well that's easy, it is our good old friend Software as a Service, 'SaaS'. If IaaS and PaaS are the lease and contract hire of the Cloud world then SaaS is the taxi! With a SaaS solution we don't give a monkeys about servers, virtual or otherwise. All we're interested in is buying access to a software product, in the case of Salesforce.com a CRM solution vs. full online office automation from IntelliFlo. SaaS is about delivering us a software service from the Cloud that we would otherwise have bought and installed on our own servers and workstations. It's pitched on the basis that we'll have less overhead from looking after infrastructure and upgrades and benefit from a flexible operational cost model rather than up front capital expenditure. It's a pitch that sounds too good to be true. But it's not, sure there are some serious considerations to be taking into account before jumping into SaaS feet first but it really does have the potential to offer some major benefits to our market and this is probably why there is so much interest and excitement about it.

Cloud Computing — computing and software services delivered by third parties across the Internet so we can get access to servers and software without having to own or maintain the underlying hardware, typically including the ability to scale our usage up and down as required so we only pay for what we need and use;

Infrastructure as a Service — renting access to virtual servers that we have complete control over, but that are hosted on someone else's hardware and that we access over the Internet, e.g. Amazon Web Services;

Platform as a Service — renting access to virtual servers that are preconfigured and managed by someone else on their hardware that we can just drop our applications onto and access over the Internet, e.g. Microsoft Windows Azure Platform;

Software as a Service — renting access to a software product that is hosted and managed by a third party that we access over the Internet (typically via a web browser), e.g. IntelliFlo's Intelligent Office.



Twittering away

Having just received our revised Terms of Service recently from Biz Stone, founder of Twitter, it's clear that Twitter is getting ready to move into the next phase in their business development.

There does seem to be a polarisation in the use of this type of social networking, that is demarcating between business and recreational use and, indeed, Twitter are rumoured to be considering charging corporate users – like us, I guess. The graph opposite shows our community – we'd like to think of it as a 'hardcore' group of like-minded followers!

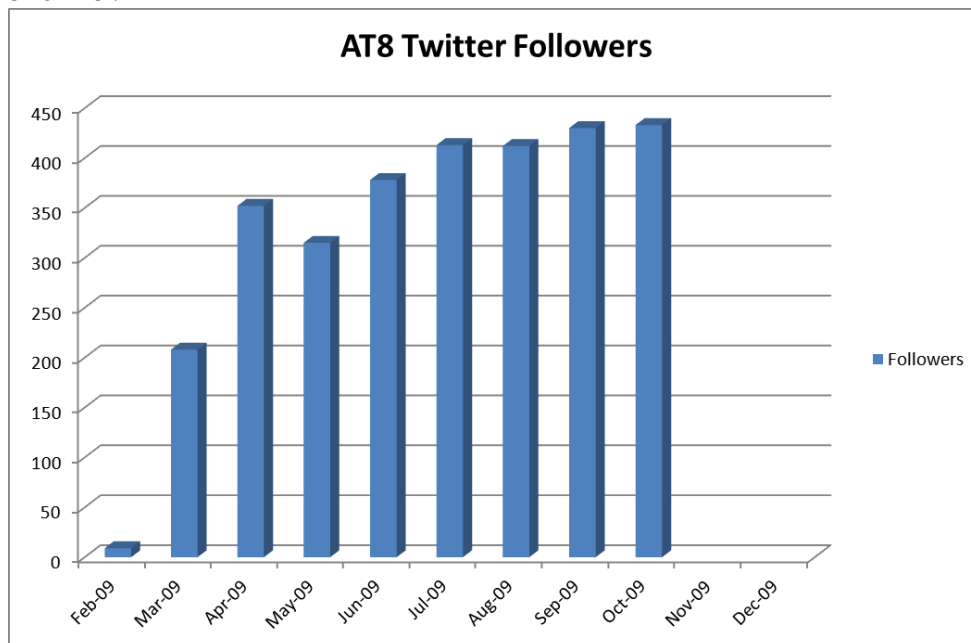


We started using Twitter in February and have been delighted in the way it enables us to receive valuable feedback from our community of followers. Although in absolute terms compared to celebrities like Ashton Kutcher, Stephen Fry or Jonathan Ross, our numbers are substantially more 'modest' but the number of followers has increased well over the six months or so.

We learnt very early on that we mustn't use Twitter just as a 'broadcast' medium and that interaction is the name of the game and have discovered new friends and also a vital source of opinion and feedback.

We can also claim that Twitter has generated revenue for us, which given some of the cynicism we have seen from others who like to dismiss this type of technology, is very pleasing. We do believe that social networking has a place in the workplace arena and certainly we are ensuring that this type of approach is rolled into a varied digital marketing strategy; one that encompasses more conventional techniques, eg email, web etc. coupled with the more avant garde. In fact, some commentators are suggesting that Twitter or services like it could replace conventional email mass marketing.

Now, whether this momentum will be arrested by the move to chargeable services is debatable – only time will tell, I guess, but it might well change the way corporate use justifies the effort of servicing this particular digital channel.



The Wider Choice

With the huge market profile of the leading CRM vendors to the IFA marketplace like IntelliFlo and 1st The Exchange it is easy to forget the other players in the market place, yet there are some good applications out there beyond the 2 leading applications. That is not to say these two aren't good applications in themselves. They are functionally very rich, backed by strong companies and led my good management teams but it always useful to have options. The market is actually very crowded – one distributor told me they reviewed 23 systems before making a choice – It is unusual to need to look that far and wide as the time taken to do so is disproportionate to the benefit in all but the largest projects – but it is worth looking at the top 5 or 6 players to get a fuller picture of the market place.

So who else is worth considering?

One company I think often overlooked is Plum. Plum doesn't have the sales muscle of its largest rivals so won't get involved in some of the larger tender processes out there and as a result has a much lower profile than its competitors. However it is a functionally rich system that has just had a facelift and is looking very good. If you talk to the product providers who integrate to them they are often cited among the most nimble and first to adopt new standards. Smaller companies with 5 advisers or so would do well to look at this as an option.

Senro from Solution 4 is another company sometimes overlooked. Senro is used by a number of the Openwork Advisers and is a good little application. Its usability is high and they have a real focus on how brokers can get the most out of their system – adding extra services such as data entry for paper based commission forms, where they take on the hassle of typing in the paper commission sheets into their system. Currently Senro is more focused on the mortgage market place due to its heritage and the integrations it has in place. Put they have some really exciting plans and come 2010 they will have a strong, ASP offering

In contrast to Senro, True Potential get a lot of market attention. They have a big sales force who I believe are commission only and therefore hungry and pushing their message hard. To be fair they have a nice application and it's a SaaS type solution (as is Senro) and the market needs a credible SaaS solution to rival IntelliFlo's dominance here. For me True Potential is easy to either rule in or out as their business model is so different to the others. If you want to pay as a percentage of your income rather than a flat licence fee then this is very a persuasive option. Paying a percentage fee enables your costs to scale up and down with your success which is very tempting in today's market – but in making the decision be conscious that the fees scale up as well as down and you will be tied in for a number of years.

There are many other vendors worthy of consideration – too many to discuss in detail here. If however you do want more detail then AT8 provide a brief profile on some of the leaders under our Infoblog series in our library. A more detailed report is available for sale as well – for more information email marketing@at8-group.com.

No procurement review would be complete without IntelliFlo or 1st The Exchange but these are not the only options and the addition of another couple of firms in a procurement decision is highly recommended.

Conclusion/Summary

So there we have it. Our fourth 'Ecommerce Matters' gives a selection of some of the things that we have seen as topical during the last 6 months or so. There is more information and material on our Blog, in our library and via our regular Twitter feeds. Many years ago someone said that 'the only constant is change'. Well, if we look at the world today and our own industry in particular, that statement is extremely poignant and prophetic. As Providers, Distributors, Technology suppliers and the Regulator wrestle with the dynamic and evolving challenges that each create and adapt to, AT8 is striving to inform and help our customers and readers to understand better what choices are available and how these can be applied to deliver business improvement and growth. If you have any questions, or require more information, please contact us on 0121 314 2505, or marketing@at8-group.com, or follow us on Twitter <http://www.twitter.com/at8group>.