HUB24: the future is now

Part 2 – How to harness data to strengthen your business

HUB CONNECT

Welcome to the second instalment of our three-part series – "The Future is now" – where we focus on technology, innovation and navigating change in the financial advice industry.

We've developed this series to help equip you for what lies ahead. In each instalment we discuss a range of new and exciting trends, as well as interpreting how they will shape the financial advice landscape in the years ahead.

We'd like to thank the following experts whose insights have made this research series possible:

- Dr Charlotte Marra – Now a Partner at Deloitte

- Rocky Scopelliti – Futurist and author of *Australia 2030: Where the bloody hell are we?*

- Daniel Teper – M&A Adviser and Head of Fintech, KPMG

In Part 2, we look at some of the ways financial advisers can harness data and artificial intelligence to drive business efficiencies and deliver better customer outcomes.

Whether it's CRM systems to help with client relationships and retention, videoconferencing tools to increase accessibility and engage with clients in remote areas, or electronic signatures to assist with onboarding, technology is increasingly permeating advice practices.

Technology has also delivered recent innovations such as robo-advice to help build scalable advice solutions, augmentation that automates or supports human behaviour, and a range of artificial intelligence (AI) and machine learning capabilities, which are shaping the ways we use data.

At HUB24, we believe the financial advice industry needs to adopt a collaborative approach to make the most of data and technology, so we can overcome some of the challenges that have limited our ability to build sector-wide solutions. Industry participants have an obligation to work together to pave the way forward for advice and empower better financial futures together.

So far, however, access to high-quality data has been a major obstacle to solving some of the industry's biggest challenges. To address this issue, it's critical to overlay data with AI and machine learning to provide greater insights and connections, which will also increase the value of the data.

Data: the enabler of change

Every day, people globally send more than 300 billion emails and 500 million tweets. As individuals, we create about 1.7 megabytes of data per second. This huge volume of data being generated will play an integral role in shaping our businesses, our operating environments and the needs of our clients.

"The customer of the future has access to this real wealth and variety of data, so their expectations of you as an adviser are evolving," said Dr Charlotte Marra, a Partner at Deloitte.

She says today's financial advice clients expect their adviser to be relevant to the pace of their lives, connected to technology and both empathetic to, and predictive of, their needs. Clients also need to know their adviser will keep their data secure.

"To be empathetic you need to know your customer's needs, you need to know their data – and that requires them to trust you well enough to share the data with you," Dr Marra said. "Then, you get that really important trust and value exchange."

As well as becoming increasingly important to client relationships, data will play a central role in further disrupting the Australian financial services industry. Rocky Scopelliti predicts that with the commencement of the fourth Industrial Revolution – when the digital, physical, biological and environmental worlds fuse – a new type of economic model will be created where data enables faster disruption.

Within this model, data will essentially have a multiplication effect – and the acceleration of change will be exponential. Further, the ways that businesses use data will have a much more significant impact on their future than ever before.

"We've really got to think about how to compete analytically to extract value from the data we already have, so we will think about data in a very, very different way," said Scopelliti.

Rocky Scopelliti

Futurologist

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A new business model fuelled by data

According to KPMG's Daniel Teper, while many large and established organisations have huge amounts of data that can be harnessed for future growth, the structure of these organisations can make it difficult for them to use this data effectively.

He estimates that some established financial services businesses that have evolved from insurance, advice and wealth management can have as many as 4,000 different operating systems working simultaneously.

"They are actually massive and very broad businesses which have been brought together over generations and decades," said Teper. "Often when they've combined, they've all been plugged in together rather than being built on a unique platform."

In this way, true digital transformation can be compromised in the pursuit of productivity, efficiency and scale. This is because of the complexity involved in collecting the right data and being able to use it effectively.

"How do you actually get the data into a manageable form to then use it to make better operating decisions or better credit decisions?" asked Teper.

Fintechs and other newcomers may therefore have a unique selling proposition. Because they've started their businesses with a blank canvas, they can build their systems to be fit for purpose.

Daniel Teper

M&A Adviser & Head of Fintech – KPMG

"From day one, they can take this data and start to get direct outcomes from it."

"From day one, they can take this data and start to get direct outcomes from it," said Teper. "Now that's not to say that the traditional players and incumbent players aren't doing it, but those barriers to entry around data are getting lower and it's a resource that everyone looks at."

For the financial advice industry, this could see new players entering the market who haven't historically been regarded as possible competitors. With their access to data and their willingness to partner with providers who have the expertise to service a niche market, this could prove to be a winning formula.

Countering this possibility is the work that some financial advisers are currently doing with technology and data to truly transform their businesses. For example, for the past three years, HUB24 has been working with five large licensees who represent more than 700 advisers, to identify their challenges and find ways to use data to solve them.

They told us that their biggest challenge was around staying on top of their compliance obligations, especially with multiple advisers who each have different processes. A particular obstacle is their lack of access to high-quality, consistently organised data.

HUBconnect Insight is designed to address this issue. This data and technology framework brings together, stores and structures raw data from multiple sources including documents, emails, text, voicemails and images. Valuable insights can then be drawn from the data without having to read or interpret it or enter it into other systems.

HUBconnect Insight has the functionality to aggregate and cleanse data, which enables licensees to solve multiple challenges; for example, automating remuneration or reporting and tracking compliance deliverables. Through these sorts of collaborative and integrated approaches to data and technology, the industry will be better placed to solve challenges in advice and make it more accessible and cost effective.
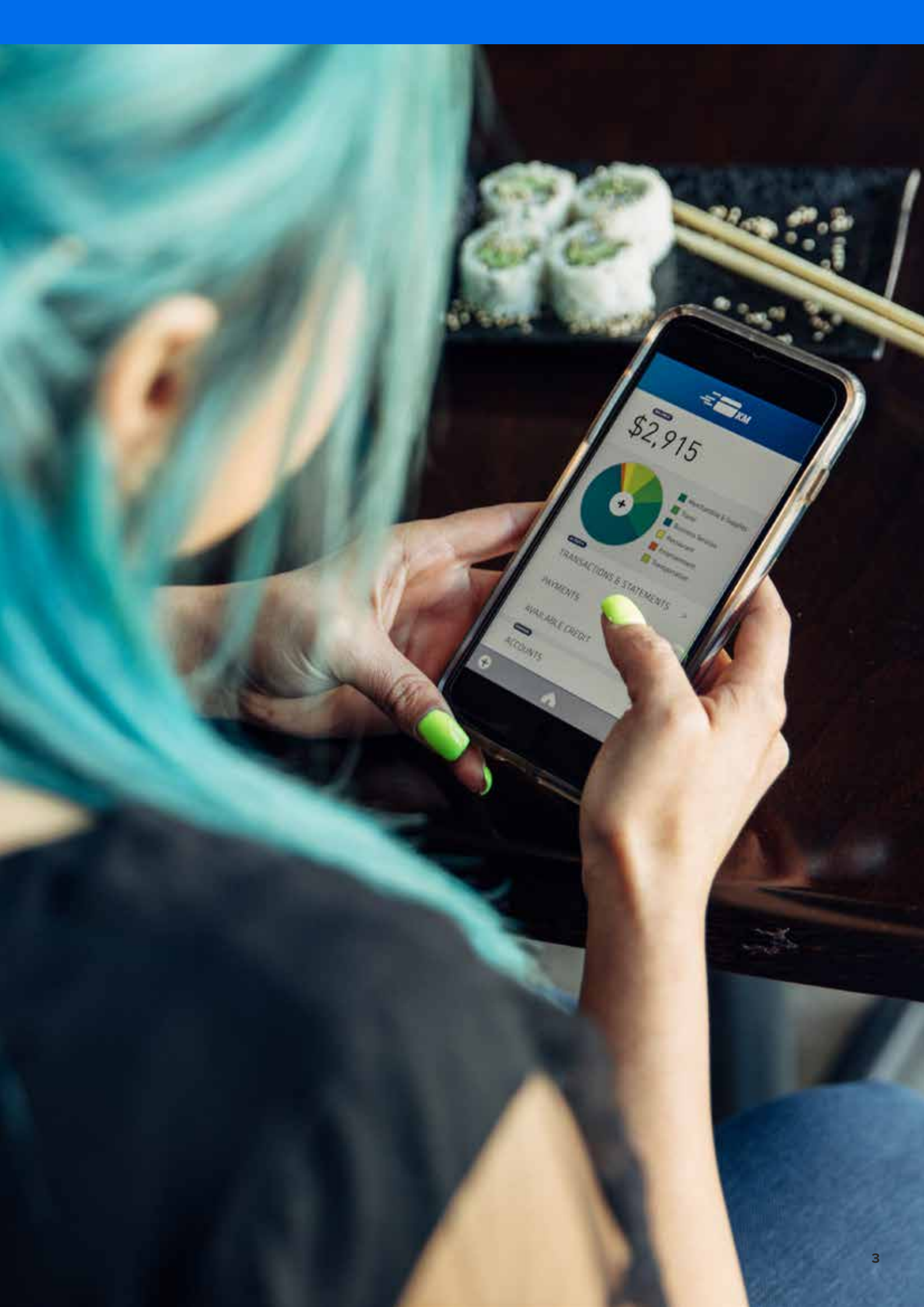
Using AI to harness data insights

"AI is needed to make vast connections and literally join many dots so you can get to key insights really quickly," said Dr Marra.

However, even before AI can be used, the data set has to be in a structured format and good quality. "No AI is going to fix poor-quality data," said Marra.

Further, while machine learning can identify correlations in data, there is debate over whether AI can do it as well as a human. According to Marra, the key to harnessing the full potential of AI is for people to understand how the AI model arrives at its decisions.

In the financial services industry, AI is impacting and changing the ways people interact with insurance. So instead of using static information such as customers' postcodes and driving histories to determine risk profiles for car insurance, AI is being used to measure risk based on behaviour.

AI is also being used in the insurance sector to conduct sentiment analysis of verbal client review meetings, to convert speech into text to fill in application forms, to get risk reviews of the products being applied for, and to compare key result areas with key risk indicators.

In the advice industry, AI and machine learning are currently being used to provide static business intelligence and data solutions such as dashboards, data visualisation and reports.

However, this underutilises the capabilities of AI and machine learning, which can actually build solutions to challenges in the advice process – for instance, the impact that compliance and regulatory obligations have on the cost of advice.

By leveraging machine learning and AI, data can be used to make connections and uncover insights that will further transform the advice industry.
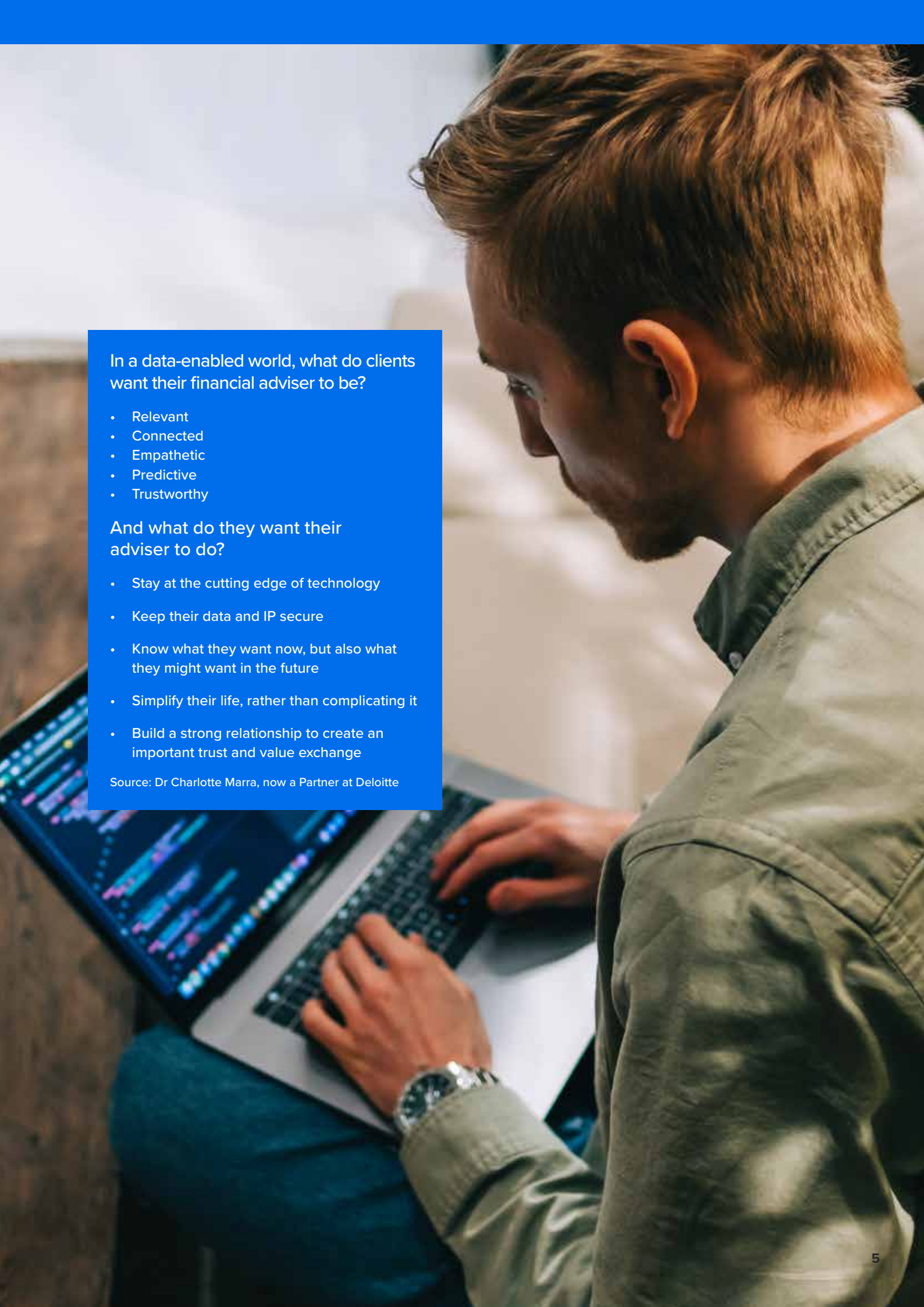

Dr Charlotte Marra

Now a Partner at Deloitte

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In the final instalment of our The Future is Now series, we'll discuss how data and technology can help financial advisers build trust with their clients in the digital world.

In a data-enabled world, what do clients want their financial adviser to be?

- Relevant
- Connected
- Empathetic
- Predictive
- Trustworthy

And what do they want their adviser to do?

- Stay at the cutting edge of technology

- Keep their data and IP secure

- Know what they want now, but also what they might want in the future

- Simplify their life, rather than complicating it

- Build a strong relationship to create an important trust and value exchange

Source: Dr Charlotte Marra, now a Partner at Deloitte

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