

DECISIONS PART II

Hot on the heels of my last Distribution Dilemmas blog, the following day Cowbridge-based HHPG announced that they have launched an execution-only platform after securing a £100,000 grant from the Welsh Assembly. The direct-to-consumer website, 'Best Price Financial Services' (www.bestpricefs.co.uk), offers annuities, protection and investments for which it white labels the Cofunds platform. The platform targets clients who have been left without advice due to the banks' decision to exit the market.

Their model is an information-based website, where consumption of various products can take place directly at low cost. In other words, it provides financial services for the mass market which have no adviser contact.

The platform will carry no initial or annual fee but charge 0.15% for investment transactions. HHPG say that if someone comes with £1 million to invest, then that person is offered independent advice, taking risk and goals into account. Conversely, if people want to take control of their own destiny and buy simpler products, they can do so directly on the platform.

It seems clear that a focus on customer-centricity - defined as a way of operating based on trust and fairness that uses knowledge of customers to meet their needs and achieve sustainable, valuable, long-term relationships - is becoming an increasingly important differentiator in the marketplace.

The same holds for financial services companies broadly. Tomorrow's winning players will be the sector's most customer-centric companies. They will have aimed to develop a truly deep understanding of their customers and potentially able to satisfy the customers' needs in a manner that meets, if not exceeds, expectations in all critical areas, including

product selection and availability, interaction experience, service quality, channel accessibility, and communications.

Rapidly evolving digital capabilities - particularly mobile, social-media, big-data and cloud technologies - offer financial services companies entirely new opportunities for understanding, serving and engaging customers. These capabilities will be powerful allies in the pursuit of greater customer-centricity. Many companies already recognise this but given the range of possibilities and the speed with which the technology is advancing, they could be uncertain about how to proceed.

Time to think things through fully at a leisurely pace is a luxury that many businesses might not have. Customers' expectations regarding what is possible in today's digital landscape continue to rise, as does the ease with which a customer can identify a competitor that could deliver better services for better returns.

The current difficulty is understanding how it is possible under COB rules, and that laid down by ESMA, to find a path through to serve both advised and execution-only customers.

I guess firms need to be bold and proactive, even if it means making mistakes. For those that move quickly, there is high potential for sizable early-mover advantages. Indeed, a handful of companies are already pushing the envelope aggressively on this front and reaping the rewards of utilising the latest in CRM software and digital technologies.

I shall be watching the developments in this area with great interest. Whether by carrot or stick, or a combination of the two, most financial-services companies will be propelled further into the digital space as they strive for greater customer-centricity.

Peter Smith, Head of Distribution Engagement