



# To Earn Greater Loyalty, Investment Brokerages Should Think Digital

Customers want an excellent digital experience, not just sound advice.

By **Andrew Edwards, Matthias Memminger and Gerard du Toit**

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A trusted investment professional who offers sound advice and maintains great relationships with clients—full-service brokerage firms work hard to attract and retain these stars. Such advisers attract investable assets that generate reliable revenue for the firm. Yet brokerage firms are caught in a bind. The benefits of customer loyalty can easily accrue to the adviser, not the firm. If clients feel strong ties to the adviser, then an adviser who switches firms has a good chance of taking many customers with him or her.

How can brokerage firms resolve this tension? Bain & Company analysis of a new survey by J.D. Power of 6,500 investors in the US suggests that firms can capture more of the benefits from loyalty by raising their game in two areas: Alongside providing sound advice, they should offer an excellent digital experience around planning, reviewing and adjusting investments.

Digital intensity in a customer's interactions is correlated with a higher Net Promoter Score® (a key metric of loyalty) for the firm, as opposed to the individual adviser, the survey shows (*see Figure 1*). Firms with the highest loyalty score—USAA, Fidelity and Charles Schwab—also lead their peers in the degree of their digital, self-serve model.

Customers who use digital tools to manage their account gave Net Promoter Scores that are 11 to 20 percentage points higher than those who do not. The largest upward bump comes from customers' using their firm's website as part of their investment planning, such as using a planning tool, researching specific investments or reviewing plans—even if they also use their dedicated adviser (*see Figure 2*).

Firms with higher loyalty scores also have the ability to retain customers and their assets better, should an individual adviser leave for another firm. By contrast, firms with a low Net Promoter Score were more likely to have customers say they would follow their adviser to a new firm if he or she switched (*see Figure 3*).

Even when a customer has a healthy adviser relationship, that correlates with the firm's share of the customer's wallet but does not correlate with loyalty (*see Figure 4*). Improving both customer advocacy and share of wallet entails two streams of investment and management:

- Hire, develop and enable great advisers who build solid relationships with clients.
- Refine and improve digital channels that will engage customers and keep them coming back for thoughtful content, convenient tools and an attractive interface. Many brokerages, for instance, could stand to improve their account aggregation tools, which allow customers to view and analyze all of their financial holdings and debt across different institutions, in one place. This requires strong design capabilities, as well as a high level of customer trust.

Fidelity's strong loyalty position, for instance, derives in part from its long-standing mastery of the digital basics. As far back as 2010, the company's self-service website suggested next steps to customers executing certain transactions, such as ordering new checks or asking about homeowner's insurance after they changed address. Today, Fidelity's digital investment tools work equally well on mobile devices, as the company's mobile app includes advanced features that mimic a desktop trading platform. Fidelity Estate Planner provides online guidance for customers through the estate planning process. And Fidelity offers live customer support around the clock via phone, chat or email.

Schwab has also excelled in its digital experience. It offers both fully automated services, called Schwab Intelligent Portfolios, and hybrid computer and human investment services, Schwab Intelligent Advisory, which include unlimited access to financial planners via phone or video chat. Like Fidelity, its mobile trading app closely mirrors the capabilities of the web application.

Customers clearly value compelling digital tools. But they also value interactions with their adviser. In fact, the more that customers engage in both types of interaction, the higher the loyalty score given by respondents (*see Figure 5*). Any firm, moreover, can benchmark its performance against competitors to see where it has opportunities to migrate lower-value transactions to the website (*see Figure 6*).

The combination of digital tools and healthy adviser relationships will help to remove time-consuming annoyances from everyday transactions and potentially delight customers. In turn, they will be more likely to stay with the firm and raise the level of assets invested, even if their adviser leaves.

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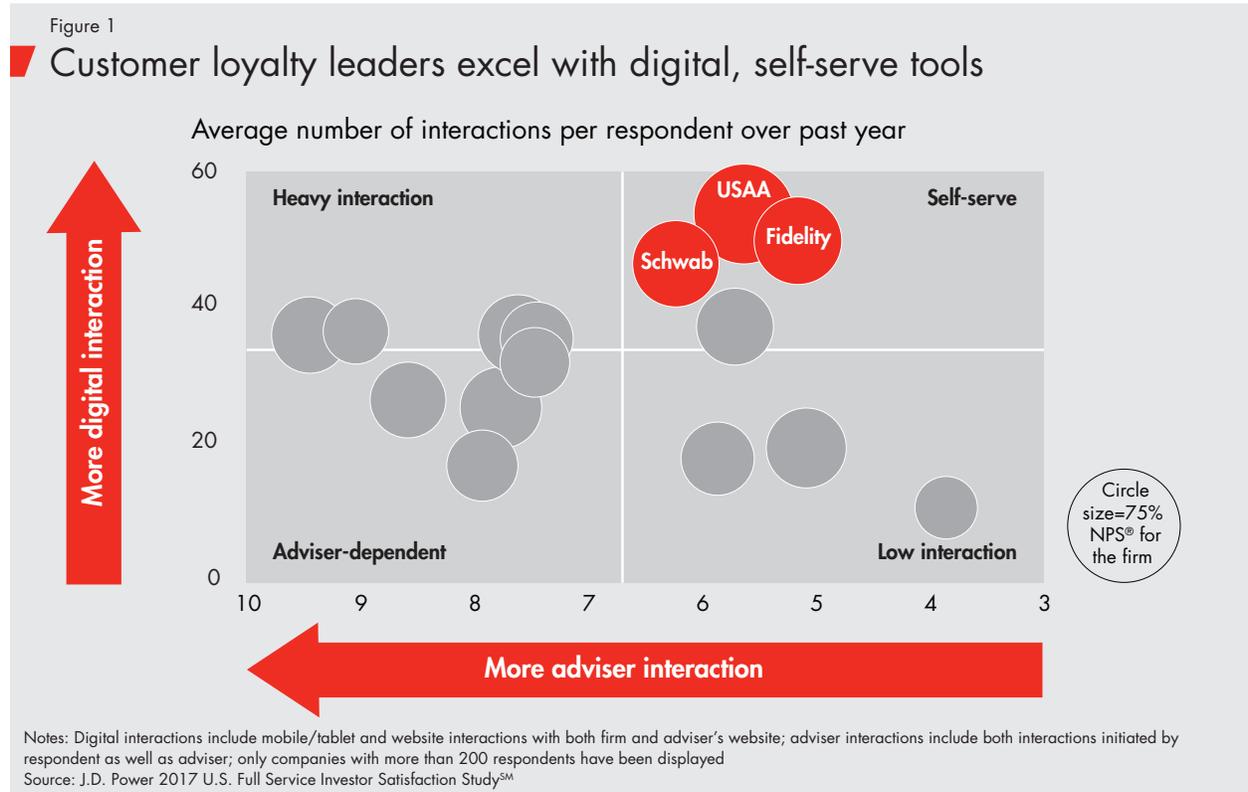
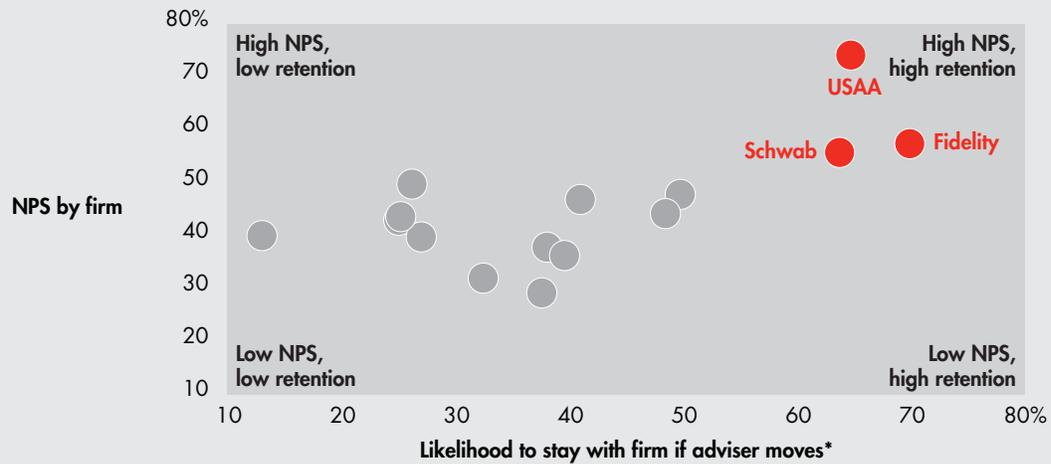


Figure 3

**Firms with higher NPS are more likely to retain customers whose adviser leaves**

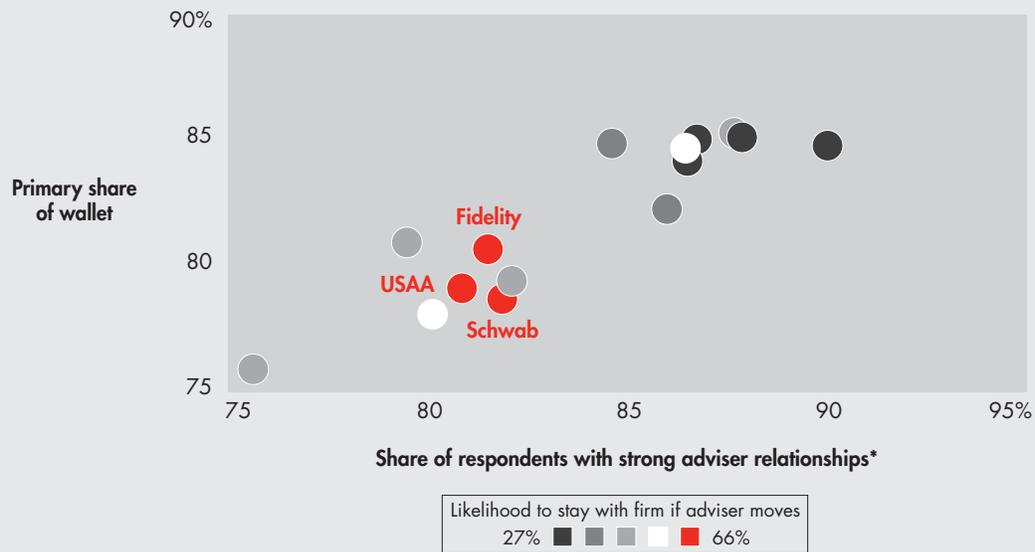
“If your adviser left the firm and joined a new one, how likely are you to follow him/her to the new firm?”



\*Likelihood to stay among customers with \$500,000 or more in investable assets  
 Notes: Only firms with >200 respondents displayed; "likelihood to stay" calculated as percent of respondents who say they "probably will not" or "definitely will not" move if adviser switches; overall firm NPS computed  
 Source: J.D. Power 2017 U.S. Full Service Investor Satisfaction Study<sup>SM</sup>

Figure 4

**A healthy adviser relationship improves share of wallet, but does not translate to firm loyalty**

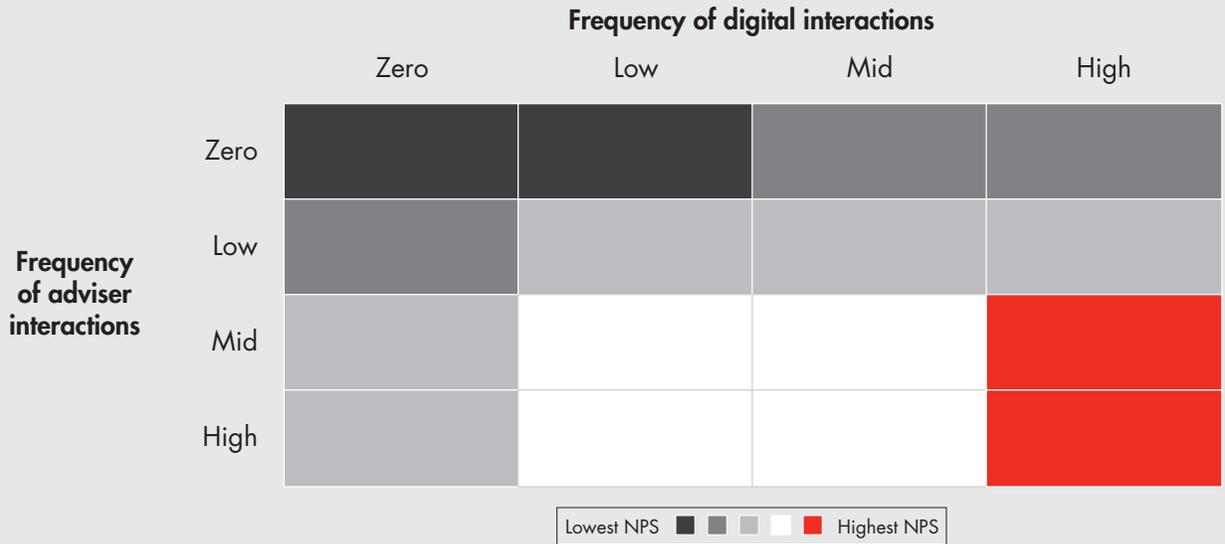


\*Respondents who select "somewhat agree" or "strongly agree" that their financial adviser has a good understanding about their financial goals/needs and takes actions with the long-term relationship in mind, and that his/her recommendations are in their best interests  
 Source: J.D. Power 2017 U.S. Full Service Investor Satisfaction Study<sup>SM</sup>

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Figure 5

More frequent interactions, whether digital or human, are correlated with higher firm NPS

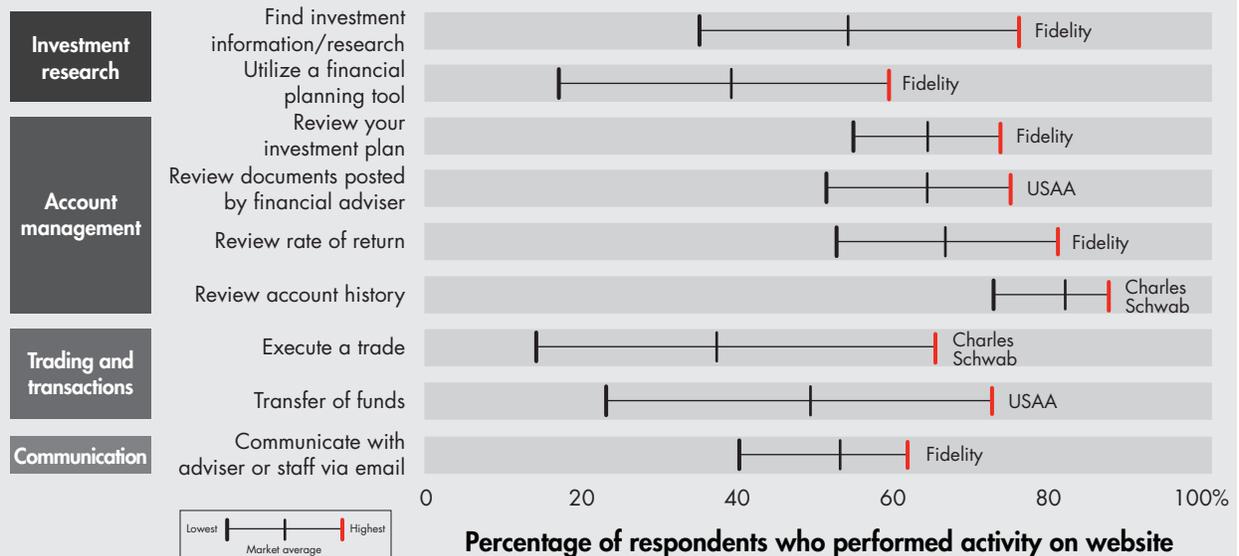


Notes: "Digital" includes website and mobile interactions (adviser 33rd percentile: 4, adviser 66th percentile: 7; digital 33rd percentile: 8, digital 66th percentile: 24); frequency categories are inclusive of lower bound and exclusive of upper bound  
 Source: J.D. Power 2017 U.S. Full Service Investor Satisfaction Study<sup>SM</sup>

Figure 6

Many firms lag in migrating low-value interactions to their website

"During the past 12 months, which functions have you performed while visiting your firm's website?"



Note: Respondents who do not interact via website include respondents who are "aware but have never performed" or are "not aware of function"  
 Source: J.D. Power 2017 U.S. Full Service Investor Satisfaction Study<sup>SM</sup>

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