![BIZCOMMUNITY]

Four game-changers in the financial industry

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Over the last few years, a number of trends have emerged in the financial services industry, particularly in the way investors and financial services companies interact with each other. Spurred by general technological advances, by the changing societal demands or requirements from regulatory authorities, industry trends are likely to continue changing.

Source: Money Marketing

However, the following are some of the prominent social trends currently making waves in the industry:

1. Confusing cost structures demystified

In the past, it was difficult for investors to compare the impact of fees on investments from different service providers. This will change with the introduction of effective annual cost (EAC).

EAC is a new disclosure methodology aimed at simplifying and standardising the way the impact of fees on investment products is reflected, allowing for easier comparison across products and providers.

Before making an investment, investors are now able to request the EAC from any product provider. All investment companies will be required to include the EAC in point of sale client documentation such as quotes and proposals.

Currently, this is applicable to all new investments, and will also be rolled out for all existing investments over time.

With the introduction of EAC, it will be far easier to understand the extent to which the fees will impact investment products.

We think this is very important, as it allows clients to make informed decisions. This, combined with a lower-return environment and a challenging economic climate is likely to result in downward pressure on fees.

2. Complex financial jargon will take a back seat

The investment industry by its very nature is rather technical. Many investors may not be familiar with the technical jargon used to explain investment products, performance and risks – but yet need to base important investment and life decisions on this information.

There is a strong move towards developing content that is understandable to clients, irrespective of their level of industry knowledge. With the introduction of *Treating Customers Fairly* (TCF) not too many years ago, it has become more important for financial services companies to communicate to clients in a way that they understand. TCF isn't just about the way we communicate to clients. The principles of TCF relate to all facets of business within financial services organisations, from the way we structure products to the way we communicate about them.

3. Digital platforms will be mission critical

It is important for companies to remain abreast of new technologies, both to engage with clients and for operational purposes. PwC in their Africa financial services journal stated that by 2020 technology will have become "mission-critical to drive customer engagement, data mining for information on clients and potential clients, operational efficiency and regulatory and tax reporting".

In addition, gone are the days investors rely simply on the company's website and brochures for information – now chat rooms and social media are among the sources or information clients look to when choosing a provider.

And these days, technology is also being used to set transactions into motion. Granted, banks have been better at setting the trend when it comes to using technology to deliver financial services than the investment industry, but this is starting to change.

Over the past few years more investment companies have started using technology to enhance the client experiences by offering secure online services for clients to invest and access reports. Whereas clients previously needed to talk to a consultant in a call centre to make a new or additional investment, or get more information about their existing investments, it now simply requires them to have an internet connection.

Whether opening a new investment, making additional investments, switching funds or simply checking their portfolios, more service providers are allowing clients to see and do it all online. As a financial services provider the goals of creating an all-encompassing customer experience – including their online viewing and transacting experience – is fast becoming a non-negotiable.

4. Clients have changed

From one generation – and person - to the next, society will always change. Clients are becoming more demanding and astute than they used to be – and rightfully so.

Clients are also becoming far savvier, seeking information, doing their own research and not blindly trusting the marketing messages of investment providers.

Trust and brand reputation is exceptionally important, but no more so that good old fashioned service and value. If they're not being affording the service and value they expect, there are other service providers who could fill the void. Financial services providers who fail to adapt to their changing client base and their general social responsibility of protecting the wellbeing of clients are likely to struggle to remain competitive. Clients need additional reasons to remain loyal.

The industry is ever evolving. Needs and technology will continue to change and the economy will always experience challenges.

ABOUT THE AUTHOR

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