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DEC 2020

# Practice Management in the New Age





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IFANOW

# Introduction

IFANOW's **Practice Management in the New Age Study** surveyed 524 advisors in India to get an understanding of advisor sentiments.

The study aims to find out the impact of regulatory changes, COVID-19, continuously evolving digital landscape, changing customer psyche on the advisor's practice, how the advisor community plans to navigate this phase and grow judiciously.

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# Highlights

- The advisor community seem to continue with its onward journey unfazed by flurry of external challenges
- Most advisors plan to invest more towards marketing & technology in coming months
- While concerns remain over the future of the business model, a surprising 52% of distributors would consider becoming an RIA while being wholly aware of the challenges that lie within
- Technology remains an important cog in the wheel as far as advisor's future growth plans are concerned
- As they recuperate from COVID-19, clients are reconsidering their world views wrt finance and realising the need for holistic planning and saving more
- 75% advisors have met new clients and prospects during the COVID-19 lockdown indicating the growing demand for quality financial advisors in the country

Throughout this report we will commonly use the word advisor which refers to mutual fund distributor as well as registered investment advisors



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# Clients <> Advisors

Advisors crave for having meaningful conversations with clients while making them better organised

While clients expect advisors to step up from just offering mutual fund services to manage their entire portfolio

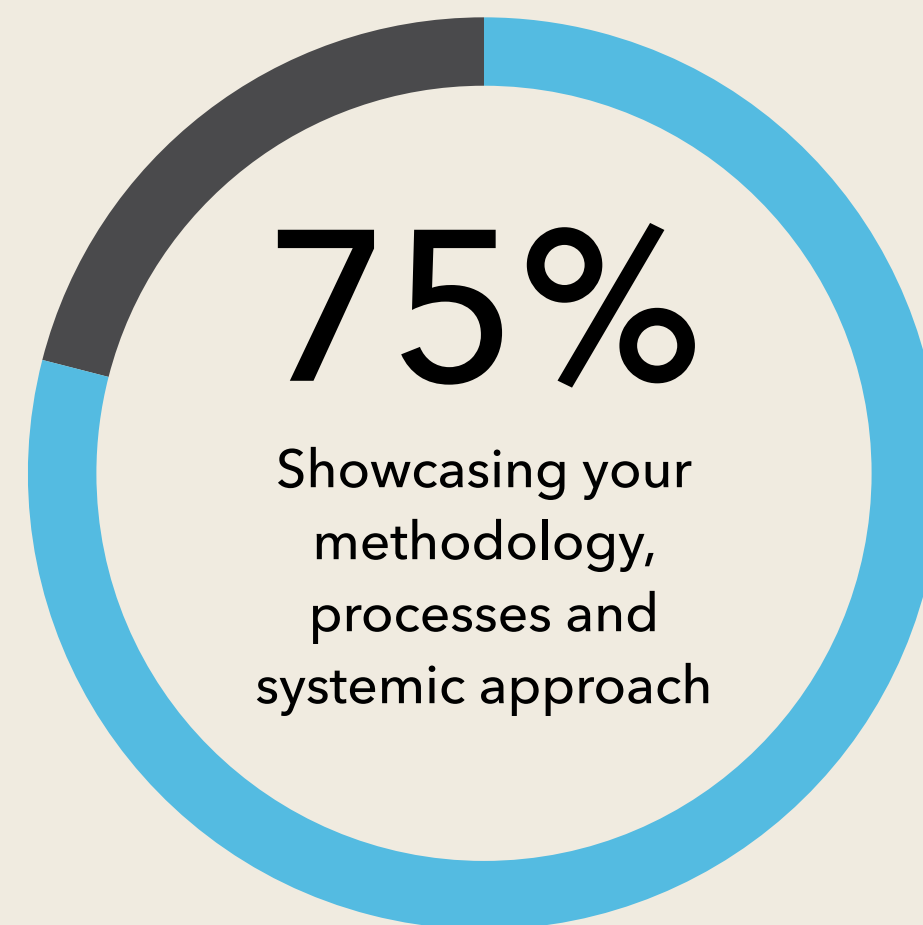
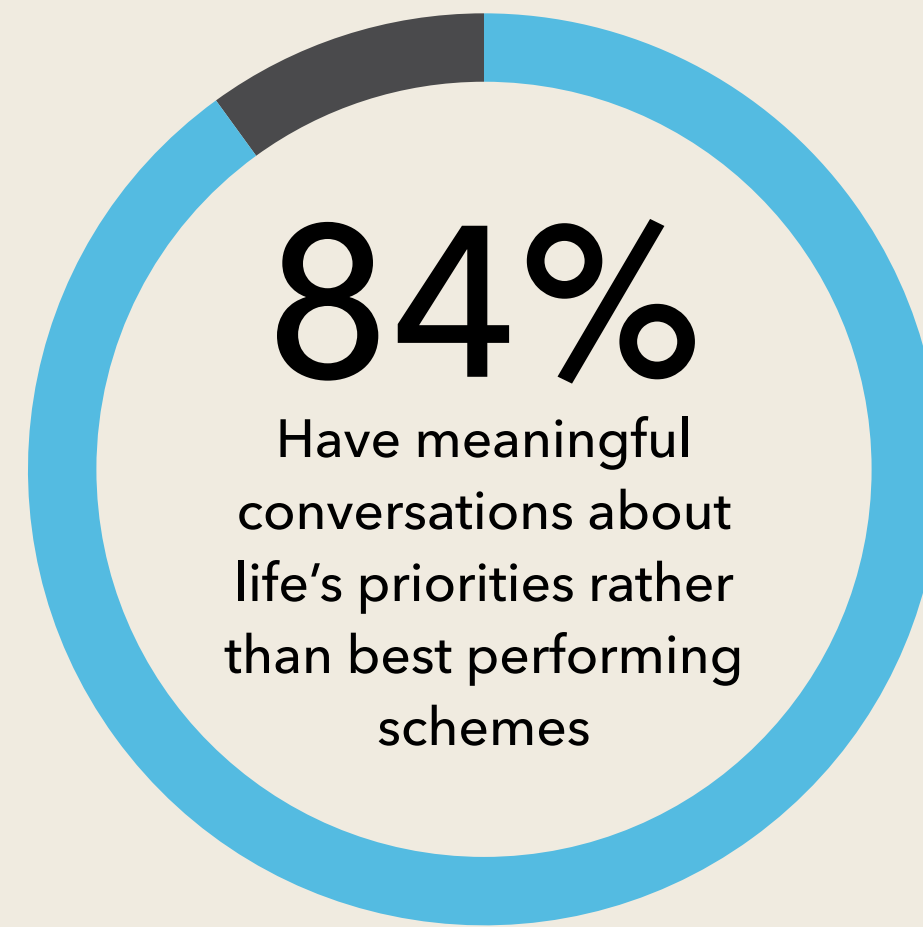
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# Services that advisors are expected to provide to their clients



# How important are the following client management aspects?



*Showcasing your methodology, processes and systemic approach*

*This was rated the MOST important among bigger firms and the LEAST important among smaller firms.*

*Clearly shows how important it is to have systems & processes to scale up.*

*And showcase them as you scale up.*



# Which device are clients most comfortable using?



51%

Mobile



35%

Desktop / Laptop



12%

Pen & Paper



2%

Tablet

*Clients living in metros are more likely to use Laptop or desktop compared to clients in other parts of India.*

*Pen and paper is still a more popular form compared to tablets.*



# Which software tools are the most widely used?

<b>MFD</b>	<b>RIA</b>		<b>Big firms</b>	<b>Small firms</b>
74%	83%	Back office reporting software	94%	83%
50%	50%	Video calling application	87%	40%
43%	33%	Document management system	87%	31%
36%	50%	Financial planning software	33%	40%
36%	83%	MF research tool	60%	33%
24%	33%	Notes taking application	60%	17%
23%	33%	To-do application	53%	17%
19%	67%	Risk profiling software	33%	17%
16%	17%	Client relationship management (CRM)	21%	13%
3%	33%	Subscription management	7%	6%
6%	17%	Ticket management	4%	2%



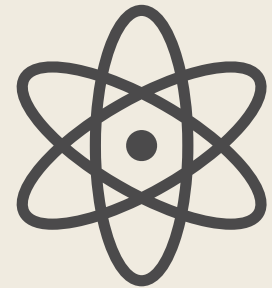
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# Software tools highlights

- MFD
  - Use 3 software tools on an average
  - Back office tool was the most widely used followed by video calling
- RIA
  - Use 5 software tools on an average
  - Back office tool was the most widely used followed by MF research
- Among bigger advisors the document management tool was the second most used tool highlighting the need to digitise documents as the practice grows

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# What will give advisors an edge over the competition



**66%**

Ability to understand and service the client's finances holistically



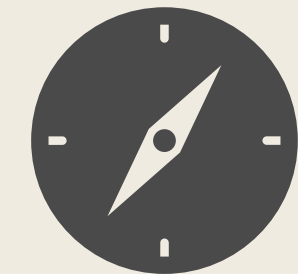
**63%**

Acting in client's best interest



**52%**

Level of client servicing

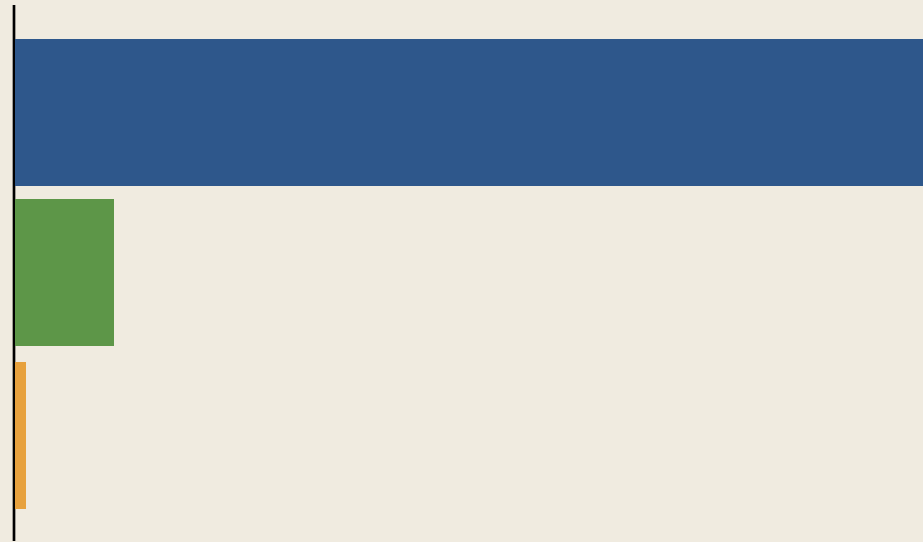


**47%**

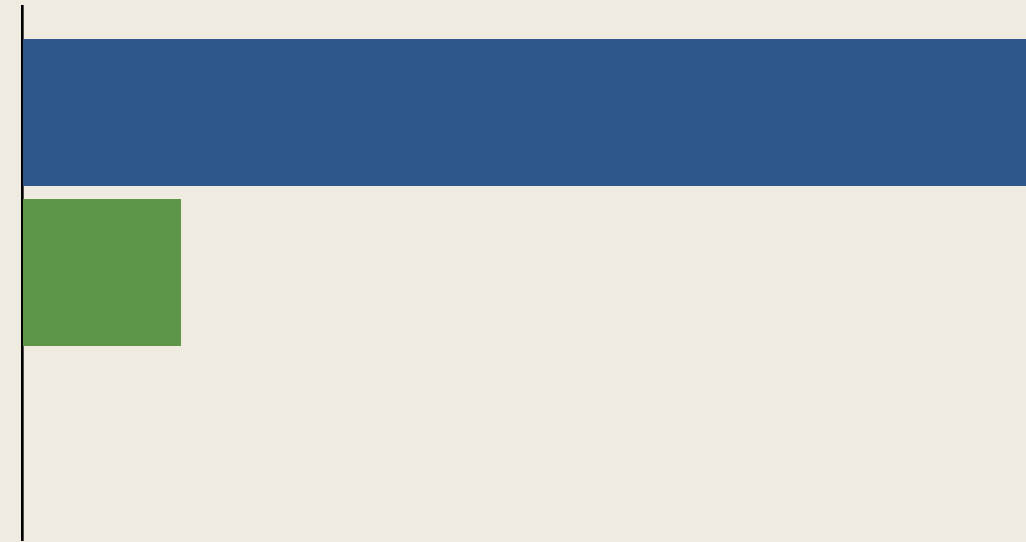
Ability to understand client's unique needs

Distributors understand the need to step up from focusing on one product to servicing the client holistically. With technology advancing, there couldn't have been a better time to fulfil this vision

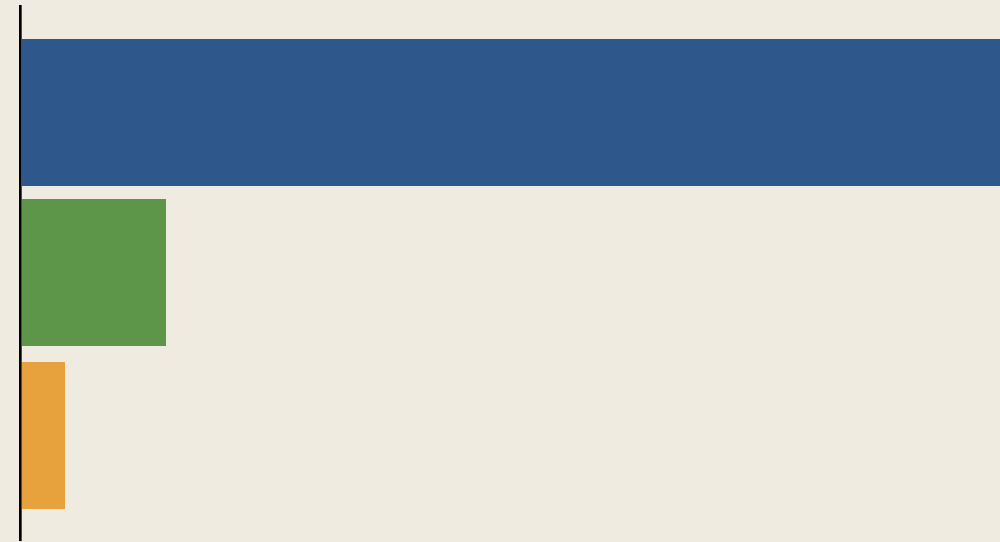
I should digitally maintain key documents of my clients



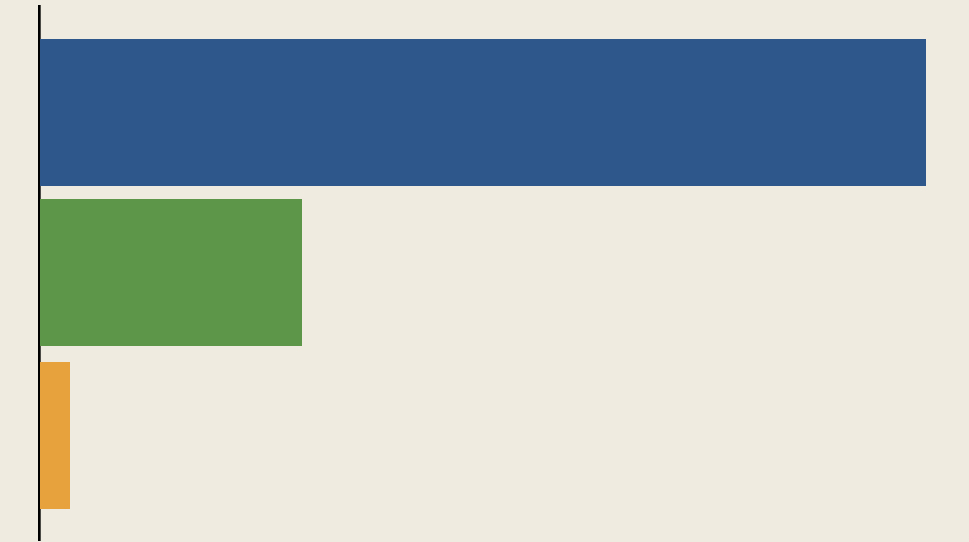
A holistic tool that combines important aspects of my practice will allow me to handle more clients and reduce cost



My clients expect me to offer them more than just mutual fund services



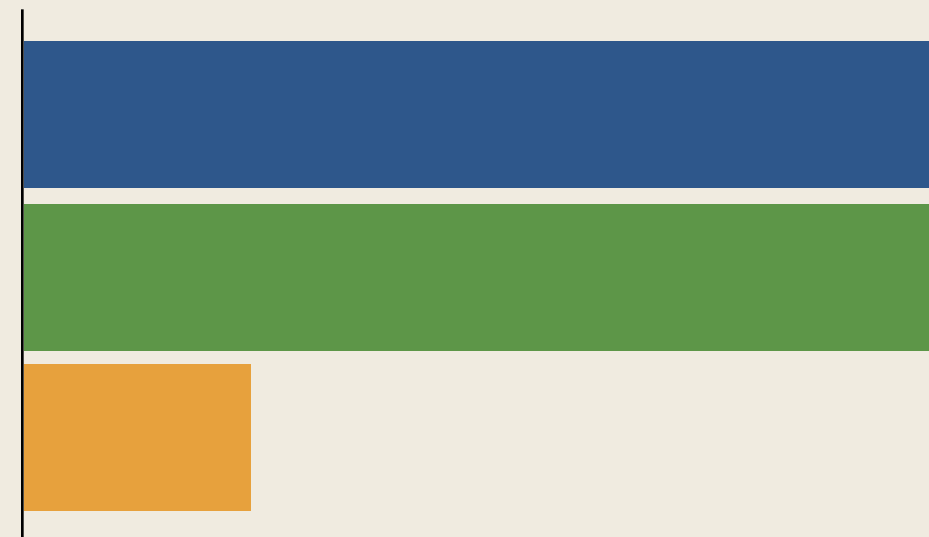
I am ok to use one holistic software as long as it gets the job done 90% of the time without being full-featured



I'd rather upskill my back office person than employing a high skilled and costly resource



Compliance is going to get difficult to manage and I am not fully prepared for it



I am better off using different software so that I can get to use the best features from them



*Digitising client's data will be a huge value add. It will help clients get better organised.*

*Advisors would rather invest in one holistic tool that gets the job done most of the time.*





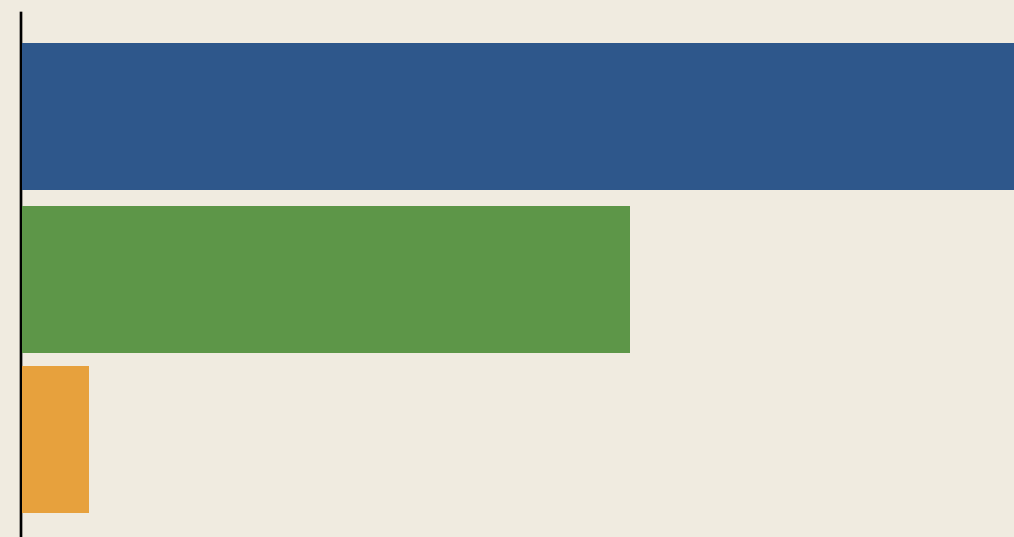


# How advisors plan to deploy their cash flows

## Technology



## Marketing

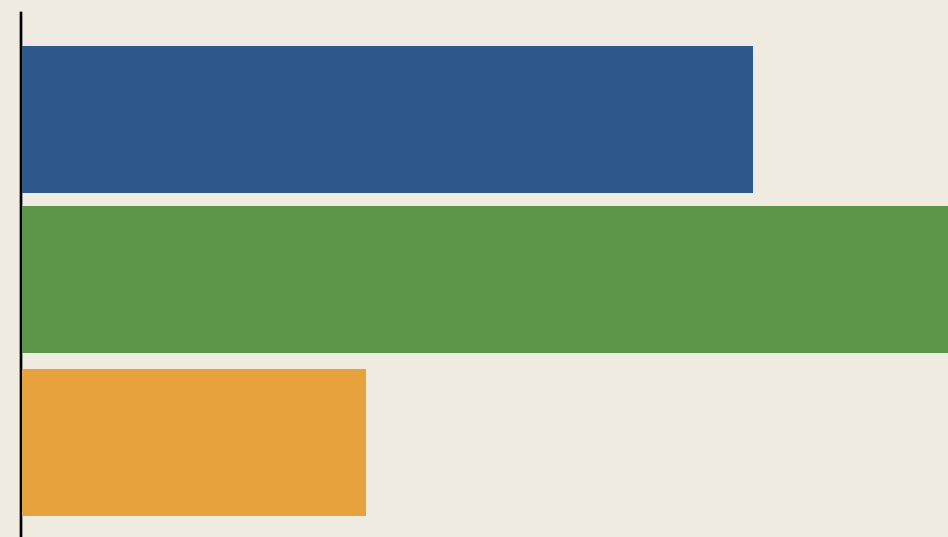


*Unfazed by falling margins, advisors' appetite to increase spending towards technology and marketing is apparent.*

## Hiring



## Office infrastructure



*Interestingly, smaller firms are more likely to invest more towards office infrastructure compared to bigger firms.*

Invest more    No changes    Reduce investment



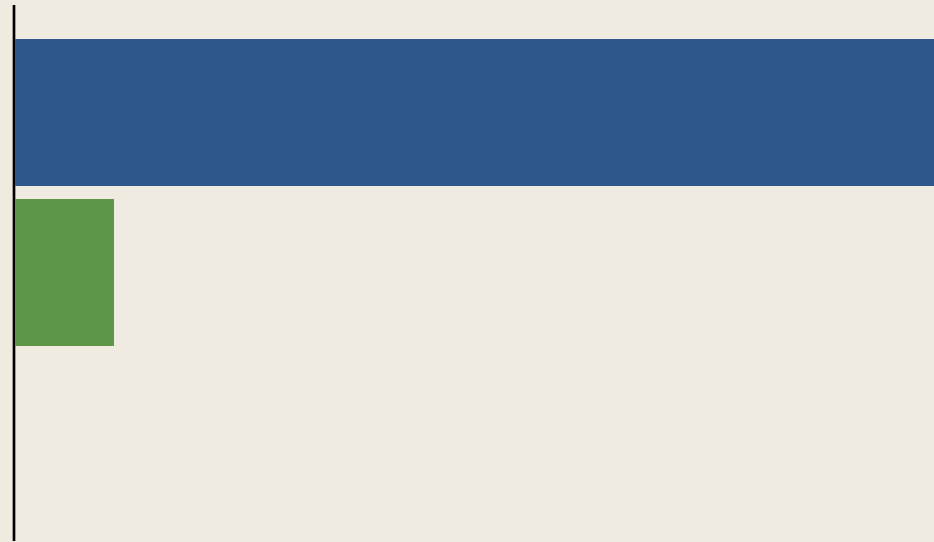
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# Team management

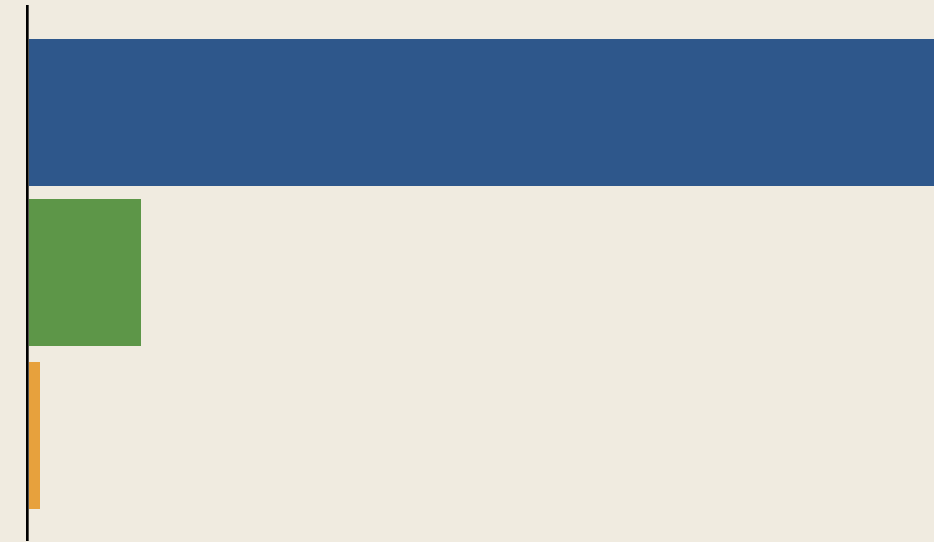
What matters and what not

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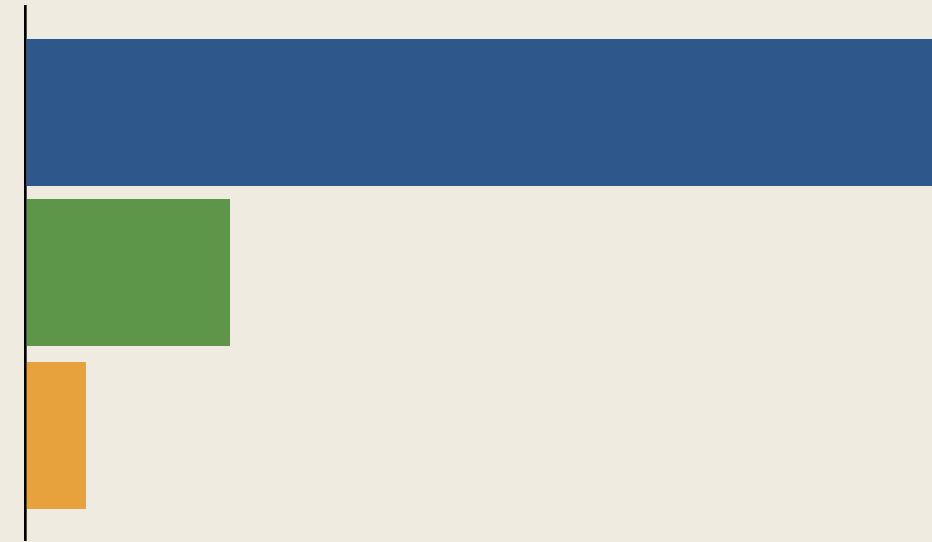
Reduce errors and omissions through automation



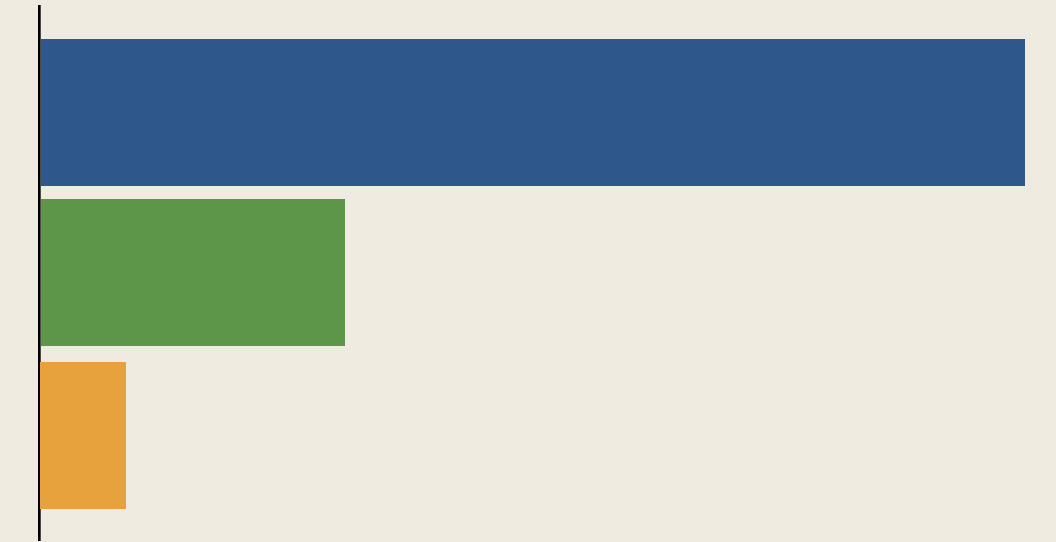
Make them more accountable through tools and processes



Be better prepared for unexpected team attrition with a centralised system



Reduce their operational workload and focus on revenue maximising practices



Help them step up from back office role to customer facing role



Reduce dependence on high skilled workforce



Reduce salary cost by doing more with less

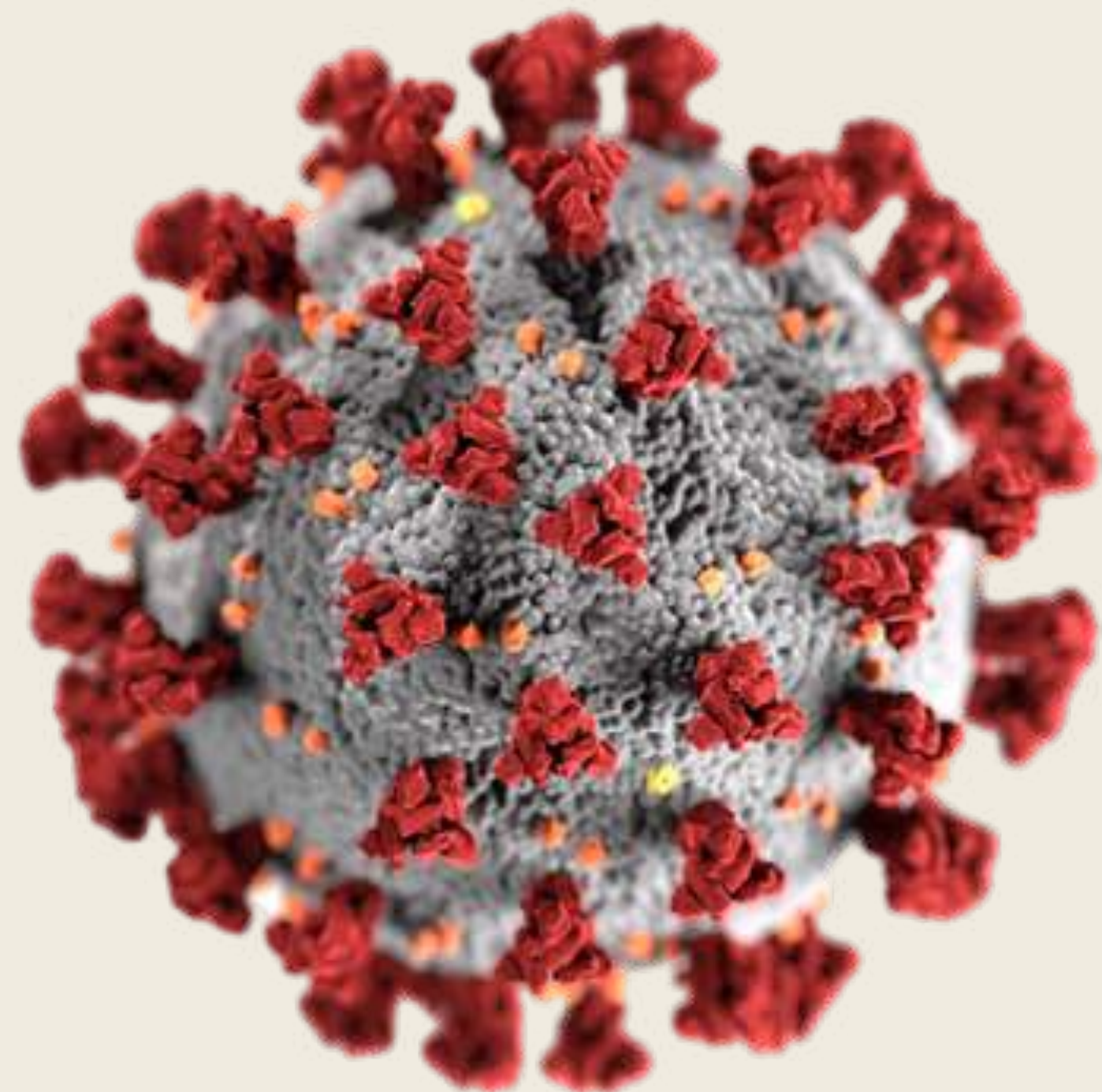
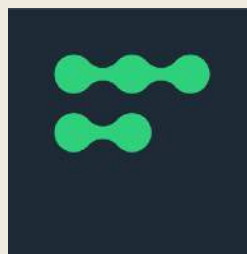


*Advisors want to invest in automation to reduce team member's errors and omissions.*

*They also want tools that make their team more accountable.*

Important      Somewhat      Not important





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# COVID-19 Pandemic

## Boon or bane?

An impressive 75% advisors met new clients / prospects during the COVID-19 lockdown. Just shows the need for quality financial advisors.

A pandemic of this magnitude also had its share of lessons for the client community and the advisor community alike. Read on...

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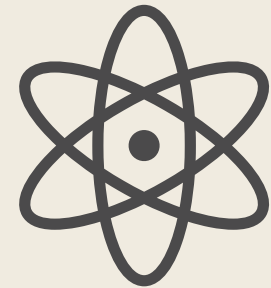
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# What customer preferences have changed after the COVID-19 pandemic?



**75%**

Realised the need for emergency planning



**54%**

Realised the need for holistic financial planning



**53%**

Realised the need to save more



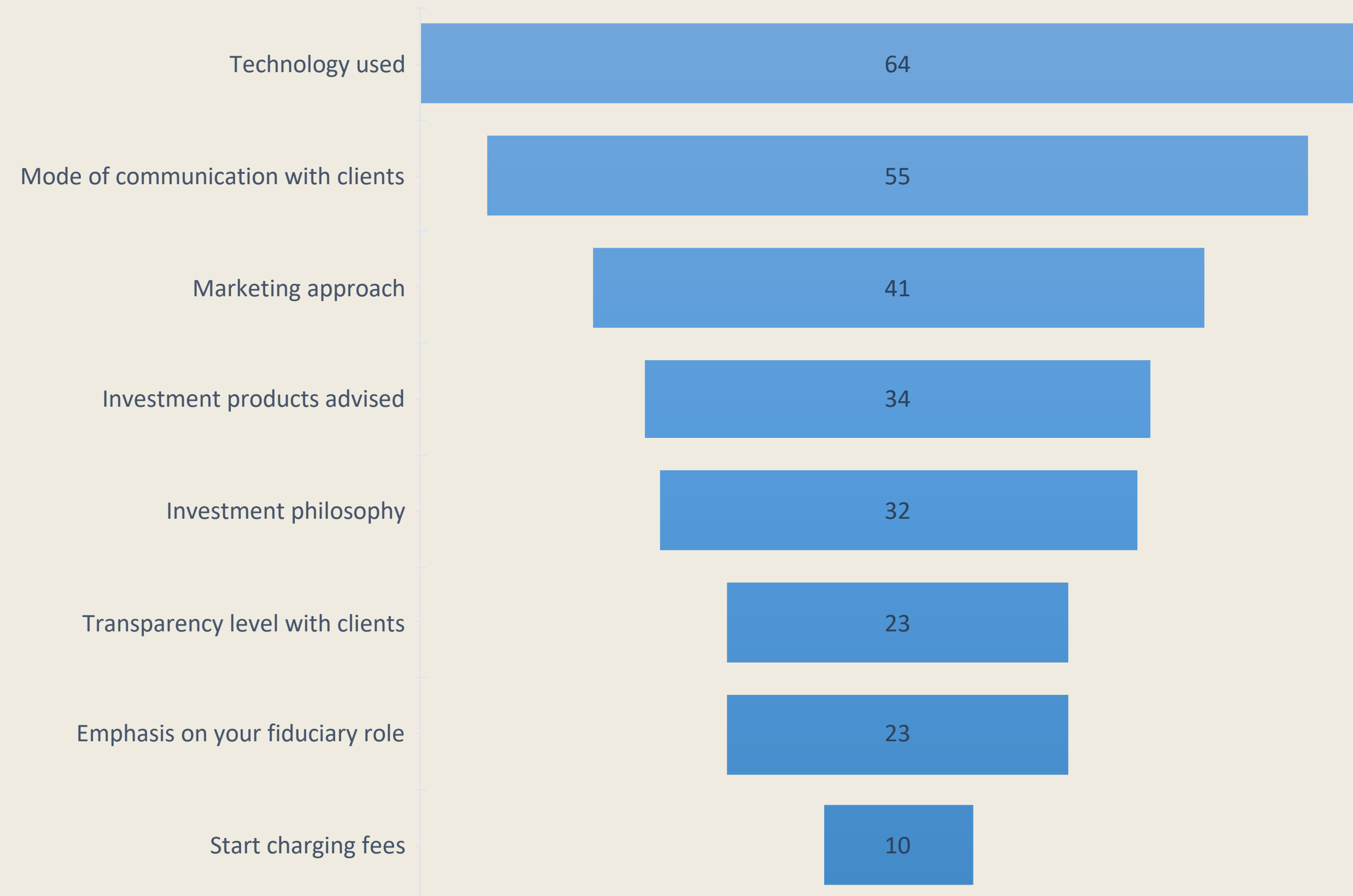
**16%**

There is no change in their preferences

As they recuperate from COVID-19, clients are reconsidering their world views wrt finance and realising the need for holistic planning and saving more

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## ... and what's changed for the advisors, or what they plan to change





A diver with a large white beard and goggles is shown underwater. The diver is wearing a black wetsuit and a black cap. The background is a deep blue ocean with many white bubbles rising from the diver. The text is overlaid on the right side of the image.

# The RIA conundrum

While concerns remain over the future of the business model, majority of distributors would consider becoming an RIA while being wholly aware of the challenges that lie within

On the other hand, distributors are also open to collaborating with RIAs as plan B



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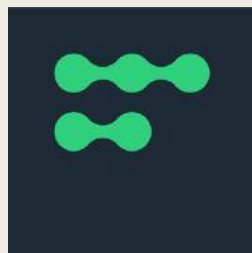
52%

DISTRIBUTORS WOULD CONSIDER BECOMING AN RIA

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# But here's what's holding them back





# Saathi haath badhana

## Collaboration could be the way forward

When asked if distributors are willing to collaborate with existing RIA to offer planning services to their clients

**68%**

Yes, if it is legally possible to do so

**29%**

Not willing to collaborate

**3%**

Participants are already RIA



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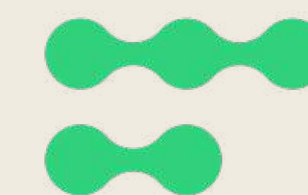
# Closing thoughts

- Advisors clearly understand that they are expected to provide more than just mutual fund services to their clients. On the other hand, the SEBI RIA regulations brings an interesting twist to the whole ball game. MFDs might have to venture into the deep and trust their instincts if they're thinking about the long term competitive advantage. While the new age advisors might find this transition easy, the bigger advisors and the old horses will find it that much more difficult given the legacy.
  - There are a plethora of software tools available in the market although the comprehensiveness might be questionable; at least from an RIA standpoint. But they are fast catching up and are well placed to help the advisor community become more efficient.
  - With 75% of the advisors meeting new clients despite the lockdown, it clearly signifies the importance of quality financial advisory. Clients have realised the importance of better planning, increasing investments and insurance. Advisors would do well to build on this momentum shift and double down on their sales and marketing strategy.
  - Questions worth pondering: Will the RIA community move from the fringes to the mainstream? Will the MFD community stay put, or take the road less travelled or collaborate?
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# One more thing

- We hope you liked reading this report as much as we did in making it. We're sure there's enough food for thought.
- You can use or share the report in full or part for any work you're doing. Commercial or otherwise. No strings attached.
- If you need to talk to us for any strategic guidance then please do not hesitate to reach out to us. Our team of RIAs and CFPs would be happy to assist.
- By the way, we've built a suite of super useful tech tools to help you grow your practice. Keen to know more? Send us an email to [reachout@ifanow.com](mailto:reachout@ifanow.com) or call 022-6820 2020.
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