CORE DATA research

UK Investment Platform Study 2021

A study of UK adviser platforms and developing trends in the sector

August 2021

www.coredataresearch.com

Contents

Summary

Overview

The last year has not only shown the resilience of platforms amid the challenges of Covid-19, but their ability to use the crisis to reinvent themselves. The advised platform sector has been a key beneficiary of the Covid catalyst. The pandemic has enabled platforms to further integrate themselves into advice business models by helping advisers with their digital transformation journeys. This healthy state of play is underscored by stronger expected platform flows, higher usage figures and an increased appetite to use multiple providers.

Nearly half of advisers (43.7%) are set to increase business on their main platform over the next 12 months – a significant increase from last year (34.9%).

Meanwhile, advisers serving clients across the wealth spectrum are using platforms more frequently. Nearly three-quarters (72.7%) of mass market focused advisers now use platforms every day – up from 63.0% in 2020. And nearly seven in 10 (67.2%) mass affluent advisers use platforms daily – up from 58.2% last year. Platforms have literally embedded themselves into the daily lives of advisers as they become core enablers of advice business. Improved platform technologies and efficiencies are making it easier for advisers to manage and monitor client portfolios more frequently.

Furthermore, the emergence of new specialist platform models is giving advisers more choice and more options. This is seeing advisers adopt a multiple-platform strategy as they increasingly use a variety of providers to cater to different client segments or access certain investment products and services. One third of advisers now use three platforms – up from 28% last year – while a higher portion this year use seven or more providers.

This year's study also shows that slightly more advisers are looking to add at least one more platform to their business over the next 12 months. This is another function of a healthy and competitive market. A wider array of platform models and continued downward pressure on prices mean advisers can shop around to find providers meeting specific business needs at cost-effective prices.

As advisers use platforms more frequently and look to transact more business through them, the service element has emerged as a key differentiator. This year, service is the prime satisfaction driver (23.3% vs. 16.4% in 2020). The switch to remote working and digital-first business models has heightened the need for platforms to offer a fast and efficient service in terms of account administration, problem resolution and support.

Functionality is again the second-most important satisfaction driver this year. This demonstrates the need for platforms to provide advisers with a smooth and seamless platform experience in terms of transactional capability, re-registering assets and all-round usability.

Overview

These priorities are further reflected in the fact that simpler to use and low error rate feature in the top three drivers prompting advisers to allocate funds toward one platform over another. In addition, simplicity and ease of use is the second-most important platform feature this year.

These findings demonstrate that, above all, advisers want platforms to work flawlessly and do what they say on the tin. The sheer frequency in which advisers now use platforms mean that problems with IT outages and tech migrations need to be firmly consigned to the past. While platforms have evolved into more complex beasts offering a wider range of tools, technologies and capabilities, advisers primarily want them to get the basics right. They crave simple, user-friendly functionality and reliable technology. In a complex and challenging market environment, advisers essentially want platforms to make their lives easier and simpler.

Ensuring high levels of service and functionality will be key to retaining existing adviser business. This year has seen a slight dip in the percentage of advisers using platforms (97.8% vs. 100% in 2020). This could be due to advice firms developing their own in-house tech propositions as they crave increased client ownership and control. Going forward, platforms will need to offer a first-class service proposition to keep advisers on board and prevent them going down the independent route.

This year's study also shows how platform product ranges need to evolve in line with changing investment trends including the rise of alternatives and the continued popularity of sustainable investments. Advisers point to range of investments and tax wrappers as the third-most important platform feature. And in terms of investment vehicles, advisers are considering more options than just open-ended funds and ETFs, the latter of which have seen a drop in demand. Investment trusts are the fourth most popular products on platforms this year. These closed-ended, listed vehicles are seeing increased demand as some open-ended funds suffer from liquidity issues. Trusts have also used revenue reserves to maintain dividend distributions during a time when many companies cancelled or cut payouts.

Annuities and income drawdown, full SIPPs and DFM services remain the three most desired products or services on platforms. However, adviser demand for annuities and drawdown continues to decline on the back of falling annuity rates. In contrast, appetite for full SIPPs has crept up slightly from last year. This suggests advised clients are looking for a wider and more flexible set of retirement investment options against a background of low yields and interest rates.

Elsewhere, platform and fund manager charges (35.7% vs. 32.3% in 2020) is again considered the most important feature of platforms in the eyes of advisers. Those providers able to offer low platform fees and negotiate discounted fund fees with managers will therefore be best placed to win more adviser business. The importance of platform and fund manager fees has also been brought into sharper relief amid an ongoing regulatory focus on value for money and transparent costs and charges.

Executive Summary

Winners and recommended platforms

- Transact keeps the title of overall best platform in the industry in 2021. It also retains its position as best large platform.
- True Potential takes first place for the medium platform group, while Parmenion again lifts the trophy for the emerging category.
- Old Mutual Wealth is highly commended in the large category. Ascentric is highly commended in the medium category and WealthTime in the emerging category.
- Parmenion grabs highly commended in the overall category. True Potential takes the commended title.
- Standard Life is again commended in the large platform category. Nucleus is commended in the medium category and Novia in the emerging category.
- Ascentric wins the title of overall rapid riser.

Platform usage and expected flows

- The main platforms used by advisers in 2021 are Transact, Aviva, Old Mutual Wealth and Standard Life.
- Old Mutual Wealth, Aviva, Transact and Aegon top the list of platforms used by advisers on a secondary basis.
- Nearly all UK advisers (97.8% vs. 100% in 2020) in this study use platforms. This demonstrates how platforms have become central conduits through which advice business is conducted. However, this year has seen a slight dip in the percentage of advisers using platforms. This could be a result of some advice firms developing their own in-house tech propositions as they crave increased client ownership and control.
- The largest portion of advisers use two platforms (32.9%) and three platforms (31.4%), with just 13.2% relying on a single provider. Meanwhile, one in 10 (10.2%) use four platforms and 4.7% use seven or more platforms. This strategy of using multiple platforms indicates that advisers are using different providers to serve specific client segments or access specific investment services.
- Platform flows are again set to rise. More than four in 10 (43.7%) advisers are looking to increase business on their main platform over the next 12 months – a significant increase from last year’s figure of 34.9%. This suggests advice firms have a healthy pipeline of business as markets continue to rebound and investor confidence improves.
- Compared to main platforms, fewer advisers expect to increase business on secondary platforms (25.5%), although this is slightly up on last year (22.3% in 2020).

CORE DATA research

Executive Summary

Platform satisfaction levels

- As with last year, advisers give higher satisfaction scores to their main platform compared to secondary platform. However, the satisfaction gap between primary and secondary providers has narrowed slightly.
- Nine in 10 advisers (89.8% vs. 91.5% in 2020) say they are largely satisfied with their main platform, awarding it a score of 7,8,9 or 10. While these high levels of satisfaction are only experienced by 65.7% of advisers for their secondary platform, this marks an increase from 62.2% in 2020.
- Although overall satisfaction levels with secondary platforms have staged a slight improvement from last year, fewer advisers this year give their main and secondary providers a very high score. One in 10 (10.5% vs. 15.5% in 2020) award their secondary platform a 9 or 10 on the satisfaction scale. And about a third (34.8% vs. 38.7% in 2020) give a 9 or 10 for their primary platform.
- The combination of service (23.3%), functionality (17.3%) and retirement advice services (12.8%) make up over half of the satisfaction drivers in this year's model. These were the dominant drivers last year, but their ranking order has changed. The top three in 2020 were retirement advice services (26.2%), functionality (19.3%) and service (16.4%).
- These results show that the service element (23.3% vs. 16.4% in 2020) has become a key differentiator. The switch to remote working and digital-first business models has enhanced the need for platforms to provide a fast and efficient service in terms of account administration, problem resolution and support. Those platforms providing a first-class service offering will be better able to gain a commercial advantage.
- Functionality (17.3% vs. 19.3% in 2020) is again the second-most important driver this year. This underscores the need for platforms to get the basics right and provide advisers with a smooth and seamless platform experience in terms of transactional capability, re-registering assets and all-round usability.
- Advisers attach less weight to retirement advice services (12.8% vs. 26.2% in 2020) which was the prime satisfaction driver last year. One explanation is that issues arising from the initial impact of Covid-19 on adviser clients approaching or in retirement have been resolved or addressed.

Allocation Drivers

- The top three allocation drivers prompting advisers to allocate funds toward one platform over another are better value for the client (71.6% vs. 73.8% in 2020), simplicity of use (71.2% vs. 70.5% in 2020) and low error rate (42.6% vs. 39.2% in 2020). The desire to provide better value for clients is once again the prime driver. And the importance attached to simplicity of use and low error rate shows advisers want platforms that do the basics well and help them transact client business easily and efficiently.

Executive Summary

Products and Services

- Annuities and income drawdown, full SIPPs and discretionary investment management services remain the most desired products or services on platforms. However, adviser demand for annuities and drawdown continues to decline (25.1% vs. 32.0% in 2020 and 37.4% in 2019) on the back of falling annuity rates.
- In contrast, appetite for full SIPPs has crept up slightly from last year (22.2% vs. 20.2% in 2020). This suggests advised clients are looking for a wider and more flexible set of investment options against a background of low yields and interest rates.
- Meanwhile, demand for DFM services has again increased (19.2% vs. 17.9% in 2020 and 11.1% in 2019) as advisers continue to outsource the investment function.
- Interestingly, investment trusts — not included as an option in previous studies — are the fourth most popular product on platforms (14.6%). These closed-ended vehicles are seeing increased demand as some open-ended funds suffer from ongoing liquidity issues. Trusts have also used their revenue reserves to maintain dividend distributions during the pandemic when many companies cancelled or cut payouts.
- Elsewhere, demand for ETFs has fallen slightly from last year (7.5% vs. 10.1% in 2020) in a sign that advisers are becoming concerned about market saturation.

Preferred Features

- Platform and fund manager charges (35.7% vs. 32.3% in 2020) is again considered the most important feature of platforms in the eyes of advisers. Those providers able to offer low platform fees and negotiate discounted fund fees with managers are therefore best-placed to win more adviser business. The importance of platform and fund manager fees has also been brought into sharper focus amid an ongoing regulatory focus on costs and charges.
- This year simplicity and ease of use (25.9% vs. 22.4% in 2020) replaces range of investments and tax wrappers as the second-most important platform feature. This underlines how advisers crave efficiency and usability – they essentially want platforms to make their lives easier.
- The third-most important feature is range of investments and tax wrappers (20.8% vs. 22.9% in 2020). Amid an expanding universe of investments and changing investor trends, platforms need to offer a full suite of products including alternatives, ETFs, investment trusts and a diverse array of sustainable options.

Executive Summary

Adviser Clients

- The proportion of advisers focusing on mass market investors has plunged from 13.6% last year to 8.6% — representing the smallest proportion of mass market advisers since this study was launched. In line with this, the percentage of advisers focusing on HNW clients has surged from 42.0% last year to 51.7%. This marks the highest proportion of HNW advisers since the study began.
- This indicates advisers are targeting more wealthy consumers in findings which may reignite concerns about a widening advice gap. Some advice firms may feel it is becoming uneconomic to serve mass market consumers and are focusing on wealthier clients to improve profit margins. But these results could also reflect changing consumer trends in the wake of Covid-19. Mass market and younger investors, for instance, may have turned to cheaper solutions including robo-advice and D2C platforms which have flourished during the pandemic. However, the financial impact of the pandemic on many people's lives means those lower down the wealth scale are arguably more in need of advice.

Frequency of use

- Advisers across the wealth spectrum are using platforms more frequently. Nearly three-quarters (72.7%) of mass market focused advisers now use platforms every day – up from 63.0% in 2020. And nearly seven in 10 (67.2%) mass affluent advisers use platforms daily – up from 58.2% in 2020. Meanwhile, daily usage among HNW/UHNW focused advisers remains high (73.4% vs. 79.1% in 2020). Overall, 70.9% of advisers (vs. 67.6% in 2020) now use platforms every day – the highest ever figure in this study.
- These higher usage levels show platforms have become embedded into the daily lives of advisers. Improved platform technologies and efficiencies are making it easier for advisers to manage and monitor client portfolios more frequently.

Appetite to add more platforms

- Slightly more advisers this year (14.5% vs. 13% in 2020) say they will add at least one more platform to their business over the next 12 months. This reverses the trend of recent years in which advisers have become less inclined to take on more platforms.
- The marginal increase in those looking to add a platform does not necessarily indicate advisers are unhappy with their current providers. Rather, it is likely a function of a healthy and competitive market. With new specialist platform models emerging and continued downward pressure on prices, advisers are in a position where they can shop around to find a cheaper provider or one which meets their specific business needs.

Background and Methodology

Background

This report is an annual syndicated study aimed at delivering platform providers key insights into the shifting demands of financial advisers. It also comprises an array of empirical data that identifies developing trends in the market.

In the UK, CoreData Research has covered the development of wraps and platforms for several years and has carried out in-depth research for platform providers as part of their market entry and ongoing strategies.

As investors and markets recalibrate their attitudes towards risk and asset allocation in a volatile market, platforms face their own challenges.

The CoreData Research platform analysis assists groups in ensuring resources are allocated to those areas that fundamentally drive positive adviser experiences and that capital outlay is fully maximised in raising satisfaction and ultimately fund flows.

Background

The study covers six core areas:

1. ***Adviser attitudes/experiences*** toward platforms and wraps in the current market in relation to their business and customer needs.

2. ***Developing trends*** between attitudes in 2021 and previous comparable data sets to outline how the market is changing/has changed/and is likely to change.

3. ***Segmentation*** of advisers based around the clients they service and their distinctive needs, satisfaction drivers and expectations. Advisers are generally divided into three groups: those who focus on mass market clients, those who focus on mass affluent and those who focus on high net worth.

4. ***Benchmarking*** of existing main platform providers against 49 service-based metrics in terms of adviser experience.

5. A detailed ***statistical assessment of driver analysis***, allowing groups to confidently understand all aspects of their functionality and service and the critical combinations that lead advisers to continue to conduct their business with certain groups.

6. A ***synopsis*** of the opportunities and challenges ahead for the investment platform market, determining the critical and key factors behind future growth and success.

Methodology

CoreData gathered information during June 2021 from UK financial advisers.

661 advisory professionals participated in the study.

Platforms were benchmarked against 49 service-level metrics as well as their size-related peers.

Platforms were split into three core groups: **Emerging Platforms** (those with up to £10 billion AUM), **Medium Platforms** (those with more than £10 billion AUM and up to £25 billion AUM) and **Large Platforms** (those with more than £25 billion AUM).

The survey was distributed to advisers using CoreData Research's own database.

The sample set enables a very detailed picture to be built up of how advisers perceive platforms relative to each other on a range of differentiating criteria.

The report includes year-on-year comparisons from an industry point of view. As such, the appendices section includes the demographics of the sample set in previous years to assist readers in interpreting the data and differences over time.

Methodology

Functionality

- Online transaction functionality
- Access of information online
- Quality and range of tools offered
- Ease of re-registering assets off the platform
- Reliability and security of the technology
- Website ease of use and navigation
- E-signature functionality*

Product and investment range

- Choice of standard collective funds offered
- Choice of other funds or packaged products
- Choice and quality of investment services
- Choice of more complex tax wrappers
- Choice of simple tax wrappers
- Choice of ESG funds/solutions*

Platform fees and underlying costs

- Cost of tax wrappers on the platform
- Impact of cash interest*
- Ad hoc additional costs*
- Cost of re-registering assets onto the platform**
- Cost of re-registering assets off the platform**

**Main platforms only*
***Secondary platforms only*

Methodology

Adviser remuneration features

- Ability of platform to negotiate directly with product providers**
- Ability of the platform to meet needs of adviser business models
- Flexibility of platform to suit adviser remuneration preferences
- Ability to charge clients ongoing fees for advice via platform
- Ability of platform to cope with different charging methods for different clients

Service

- Speed of opening/closing accounts
- Speed of switching between investments/redemptions
- Accuracy of opening/closing accounts
- Accuracy of switching between investments/redemptions
- Frequency of errors by platform
- Admin staff/call centre speed of problem resolution
- Admin staff/call centre staff availability (waiting times etc.)
- Admin staff/call centre staff competency and knowledge

***Secondary platforms only*

Methodology

Reporting capability

- Annual client review reports
- Tax statements and reports
- Management information reports (business written, client segmentation etc.)
- Flexibility of reporting
- Audit trail/compliance reports
- Ability to include legacy assets in reports

Retirement advice/services *

- Range of retirement income options
- Online functionality at retirement
- Online functionality in retirement
- Retirement income payment frequency/flexibility
- Ease of investment consolidation/crystallisation

Support

- Head office customer service*
- Overall technical support
- Overall sales support**
- Website content and help
- The quality of face to face training support (for admin staff, paraplanners)*
- Overall training support (for admin staff, paraplanners) **
- Covid information/updates*

**Main platforms only*
***Secondary platforms only*

Global Reach

CoreData Research UK is the London-based arm of a broader specialist financial services research and strategy consultancy. The London division is part of the CoreData Group and has operations in Australia, the United Kingdom, the United States of America, Brazil, Singapore, South Africa and the Philippines. The group's expansion means CoreData Research has the capabilities and expertise to conduct syndicated and bespoke research projects on six different continents, while still maintaining the high level of technical insight and professionalism our repeat clients demand.

CoreData Operations

Boston
London
Manila
Malta
Sydney
Perth
Melbourne

About CoreData Research

With a primary focus on financial services CoreData Research provides clients with both bespoke and syndicated research services through a variety of data collection strategies and methodologies, along with consulting and research database hosting and outsourcing services.

CoreData Research provides both business-to-business and business-to-consumer research, while the group's offering includes market intelligence, guidance on strategic positioning, methods for developing new business, advice on operational marketing and other consulting services.

The group prides itself in identifying market trends at the earliest opportunity and formulating insightful quantifiable research that clients can use to help them stay ahead of the market and better meet the day-to-day challenges facing their businesses.

Our focus is on bringing deep market knowledge to research and strategy development. The group's research is not just about information and data but at providing insight so clients can develop strategies that work.

The team is a complimentary blend of experienced financial services, research, marketing and media professionals, who together combine their years of industry experience with primary research to bring perspective to existing market conditions and evolving trends.

CoreData Research has developed a number of syndicated benchmark proprietary indexes across a broad range of business areas within the financial services industry.

Why CoreData Research?

Experts in financial services research:

- Deep understanding of industry issues and business trends
- In-house proprietary industry benchmark data
- Industry leading research methodologies
- Rolling benchmarks

CoreData Research understands the demand and service aspects of the financial services market.

The group conducts regular aggregated research in banking, mortgages, retail saving, pensions, asset management and the financial advisory sector.

The group is continuously in the market through a mixture of constant researching, polling and mystery shopping and provides in-depth research at low cost and with rapid execution.

The group builds a picture of a client’s market from hard data which allows them to make efficient decisions which will have the biggest impact for the least spend.

CoreData Research projects focus on decision-making; identifying and analysing the triggers and the blockers behind those decisions. Our questionnaires and analysis processes are tailored to not only illustrate the responses given but also to elicit additional deep-level information.

CORE | DATA