Emotomy
POWERING BETTER INVESTMENTS

The Key to Small RIA Firm Success: "Automated Personalization"

by Sabrina Bailey

Improving the efficiency, profitability and growth potential of a small registered investment advisory (RIA) business begins by asking two very basic questions: **What do you do, and how do you do it?**

The first question, of course, centers on a small firm's specialty or the market niche it serves. For small RIA firms, specialization of some sort — by customer type, investment expertise/philosophy, geography or a select combination of factors — is a necessity in order to set it apart from other RIAs.

The second question involves the ways in which a firm accomplishes its work for the clients it serves. Answering that question involves a rigorous evaluation of all the steps the firm takes to attract and serve clients, encompassing every operational aspect of the business. In short, firms need to map out their processes in order to drive efficiency and profitability.

This conclusion is borne out by the results of the recent *InvestmentNews* Research study of elite RIA firms, which found that a key characteristic of the largest and most profitable advisory firms is a focus on process. As tedious as it may be to accomplish, a step-by-step mapping of how your firm gets its work done is key to small- firm success because it permits the delivery of "automated personalization."

Here's what that means. Once your processes are mapped, they can be automated. Automation vastly increases your firm's efficiency while delivering improved service to clients.

Take onboarding a client as an example. At many firms it's a labor- and paper-intensive process that frustrates staff and, most troubling, often irritates incoming clients, who have grown accustomed to the friction-free interfaces of Amazon and other businesses they use daily.

Paperless onboarding becomes possible and routine once every step in the process is identified — for example, sending a client an account invitation, assembling and sending the necessary account forms, having the client complete a risk questionnaire, performing the appropriate compliance checks, etc. — and then automated.

Automating these processes requires an open-architecture technology platform that integrates all the tools an advisory firm uses — software for customer relationship management,

A step-by-step mapping of how your firm gets its work done is key to small-firm success because it permits the delivery of "automated personalization."

portfolio management and document management, for example — as well as one that permits smooth linkage to custodians and the firm's website.

From a client's perspective, automated advisory firm procedures are invisible. What they perceive is not the replacement of their advisor or an assistant by a computer, but an enhancement of their advisory firm's services in the form of easier-to-access information and enhanced ability of their advisor and the firm to provide the service they need and want, when they want it.

Beyond the ability to offer a higher level of service, technology makes possible the personalization of such service.

A robust technology platform can permit greater personalization for client portfolios.

Many tech-enabled small firms, for examples, have tweaked their offering to attract and serve the growing number of HENRY's — High-Earners who are Not Yet Rich. These young potential clients, often dual-earner professional couples with high salaries and excellent futures as well as big student loans and mortgage debts, are eager for financial advice and are willing to pay for it. Since paying fees based on assets under management would make little sense for either this relatively asset-poor segment or the firms that would provide the advice, subscription fees for planning and advice are becoming increasingly popular. With a robust tech stack and well-defined procedures, serving this market not only becomes possible, but economically feasible now and likely very profitable later.

In the area of investing, a robust technology platform can permit greater personalization, whether firms manage client portfolios themselves or outsource all or part of the investment management function to third-party experts. For RIA firms that handle investments in-house, technology can solve for the complexity of portfolio management by helping a chief investment officer manage a firm's investment policy and risk guidelines, as well as ensure that its advisors are working within the framework of the firm's approved investment offerings.

Using a true open-architecture platform like the one offered by Emotomy, firms can create proprietary portfolios, port in asset managers and sub-advised strategies, use pre-build strategies or a combination of all. So while only one tailored solution might be presented to a client, under the hood the technology has efficiently matched the client's risk tolerance against the many portfolios an advisor may offer. What's more, the ability of a robust tech platform to automate trades and rebalance quickly across the spectrum of a firm's client base can have a significant impact on client portfolios, relationships and reputations, especially during volatile markets.

Perhaps most important for advisors at small firms is that when technology reduces operational burdens and handles the time-consuming, behind-the-scenes work that permits personalization of service and portfolios, advisors have more time to devote to their true value-added role, which is serving clients and attracting new ones. Automated personalization, therefore, isn't about replacing the advisor with technology, it's about using technology to empower the advisor — and the success of his or her firm. ■

Sabrina Bailey is CEO of Emotomy, Northern Trust Asset Management's wealth management platform for advisors and the firm's head of digital investment advice. She is also a member of the Asset Management Leadership Council. In her role, Sabrina is responsible for embracing and leveraging technological advances to develop a comprehensive business strategy focused on delivering innovative, client-focused digital investment offerings to financial institutions.

Learn more at emotomy.com

1529617

Emotomy
POWERING BETTER INVESTMENTS