Financial Advisors: Humans, Robots or Best of Both?

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Automation is transforming the way businesses function – setting high standards of performance, efficiency, and accuracy. The Insurance industry is witnessing a major shift by adopting Robotics, coupled with Artificial Intelligence and Machine Learning, all of which bring some unique operational efficiencies across the industry.

Automation is making its presence felt in every aspect of the financial industry, be it Account Management, Lending & Financing, Payment Processing, Underwriting Process, Asset Management, Investment Banking Advisory, and so on. The steady rise of digital entrants in this space, coupled with a shift in customer expectations , have led to creation of entirely new user experience platforms owing to Automation in this space. These are designed to function better and faster, and to inspire trust and confidence, helping organizations stay on top of competition.

New age trumps traditional

One of the key focus areas from a UX perspective is the Financial Advisory service, and this is where we have digital incumbents – 'Robo-Advisors' – creating waves in the market. Based on the current customer demographics, there are currently three advisory groups operating:

1	2	3
Traditional Advisors (Agents)	**Robo Advisors**	**Advisors 2.0 (Hybrid)**

Understanding by comparing

While we wait for the lift-and-shift and the convergence that is bound to happen in this space in the near future, let's delve deeper to understand these advisors and their characteristics better.

1 Traditional Advisors (Agents):

This is the most common advisory group. It works well for the customer base that isn't very techno-savvy and needs periodic face-to-face discussions with their advisors to gain confidence.

Pros:

a. The agent's personal presence/ connect helps build confidence and trust in the minds of customers

b. Suggestions are personalized and tailored as per customer needs

c. Solutions can be altered or tweaked if customer requirements change

d. Personal attention provided encouraging customer loyalty

Cons:

a. Advisors are challenged due to limited bandwidth and can serve only a limited number of customers

b. Limited access to real-time data during discussions

c. Inability to present the full suite of the offerings available, or give a holistic view of the offerings

d. Delays due to dependencies, which means lost business opportunities

e. Hefty advisory charges levied for these services leading to customer dissatisfaction

2 Robo Advisors

These are online financial advisors providing fully automated investment services. They provide algorithm-based investment management services, including automated portfolio planning, automatic asset allocation, online risk assessment, account rebalancing, and numerous other digital functions. They eliminate the need for a human financial advisor and provide customers with direct, 100% software-based access to their portfolios. Robo-advisors provide instant, frictionless and highly accelerated digital transactions, leading to increased customer acquisition.

Pros:

a.   Automated, robust, algorithm-based, accurately analyzed data for better decision-making

b.   Available 24*7 – there are no availability delays or dependency issues

c.   Better analytics, based on customer requirements

d.   Can easily provide historical data analysis for trend analysis to explore newer revenue streams or markets

e.   Cater well to millennials and tech-savvy customers who intend to do their own research and take their own decisions

f.   Charges for these are minimal or free, attracting more investors

Cons:

a.   This trend is still picking up and currently does not cater to the whole investor community

b.   There currently isn't much differentiation in the robo-advisor services offered across the industry

c.   Very high initial familiarization costs within the user group by means of advertisements

d.   Unlike traditional agents, robo-advisors are not capable of tweaking or altering services and offerings real-time to meet the user's changing interests and needs

e.   Every new service customization needs to be recreated and deployed with some lead time

f.   Customers find it difficult to follow up in case they want to get a quick view or follow-up for some query.

3 Advisors 2.0

This is the epitome of convergence! Humans + Robots can create an enhanced customer experience. Advisors 2.0 is a hybrid model where a human advisor is backed by the data and services of robo-advisor in real-time to make him more efficient. Advisor 2.0 comes loaded with the intelligence and efficiency of the robo-advisor to prepare customized offering for every user on the fly without any delays.

Pros:

a. Offers customers the advantage of technology, blended with personalization of human touch points

b. Eliminates delays as customers can do their research by leveraging robo-advisors available online 24*7.

c. One-on-one connect with the Advisor 2.0 to validate offerings and get the required confidence.

d. Access to vast resources that can be customized as per user requirements

e. Advisor 2.0 can suggest, validate and modify services and needs in real-time

f. Intelligent analytics, surveys to tap the correct demographics for generating higher revenue

g. Equipped with human touch and empathy to connect well with the customers and influence their decisions.

Cons:

a. The overall process isn't as fast as robo-advisors since it is s a combination of both humans plus robotic effort

b. Since in a nascent stage, Advisor 2.0 is limited by technical and skill enhancements that can be provided to robo-advisors.

This unique amalgamation of human and robotic capabilities will definitely prove to be the default combination for customers going forward. With robo-advisory services predicted to hit a trillion milestone by 2025, it will also be interesting to see how organizations differentiate themselves to stay ahead of the curve.

Traditional clients who need human connect

AGENTS

Millennials and the tech-savvy generation comfortable with using automated solutions online

Robo-Advisor

ADVISOR 2.0

Digitally-enabled clients who need occasional human connect

AR/VR

Author

Anjana comes with a rich experience of 16+ years in managing innovation and transformational programs for Fortune 100 clients across geographies and industries. In her current role, she is responsible for powering our banking customers with truly integrated Intelligent RPA solution, thus delivering accelerated growth and enhanced customer experience. She is a certified RPA Architect, and has also achieved other certifications like Prince 2, ITIL and Scrum Master.

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