

Investment management, mobility, and managing investor security concerns

The investment management industry, like many other industries, is in the process of developing mobile offerings for both clients and advisors. In many ways, the current state of the mobile channel harkens back to the early days of the Internet. Remember when simply having a website could set you apart from your competitors? Investment managers had vociferous debates about the value of the Internet, the return on investment of websites, what types of information and functionality to offer, and of course, on the safety and security of the Internet channel. These very same debates are happening now with regard to the mobile channel.

To provide data to better inform this debate, the Deloitte Center for Financial Services commissioned a survey by Andrews Research Associates, conducted in January 2014. The 2,193 respondents (of whom 1,488 were investment management account holders) were asked about their awareness, usage, preferences, and concerns when it came to interacting with financial services firms via mobile devices. Many operational and technical issues raised by the survey are covered in great detail in a companion paper published by Deloitte University Press.¹ In this “Closer Look,” we focus specifically on issues that impact the investment management industry.

Just how important is the mobile channel to investment managers?

At first glance, our survey data seem to indicate that mobile offerings may not be all that important to investment management (IM) account holders. According to our survey only 27 percent of IM account holders state that mobile offerings are extremely important or important, with 36 percent stating that mobile is unimportant or not at all important.

When asked how useful mobile services are, the survey respondents tell a similar story: only 27 percent of IM account holders find the mobile services of investment managers extremely useful or very useful, while a majority, 53 percent, find the services not very useful, not useful at all, or are undecided as to how useful the mobile channel is.

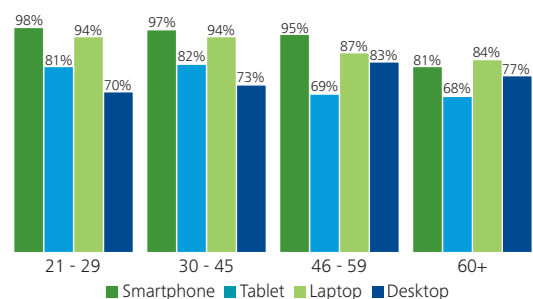
These results might lead some investment managers to question their return on mobile investment, and some might even question whether it is worth investing in mobile for IM account holders at all. If clients don’t find the service important or useful, why not invest those dollars elsewhere?

However, the story is more interesting when you dig a little deeper into the data. It turns out that the typical IM account holder who is a mobile user — as represented by respondents to the Deloitte survey — is potentially a very attractive customer to many investment managers. For example:

- Eighty-three percent are homeowners.
- Sixty-three percent have a college or post-graduate degree.
- Twenty-three percent report income in excess of \$100,000.
- Fifty-five percent report investable assets in excess of \$100,000.

These respondents seem to fall squarely within the “emerging affluent” and “affluent” segments that many investment managers are targeting. Another factor in favor of investing in mobile is that nearly all respondents ages 21-59 use a smart phone to interact with financial institutions (Figure 1).

Figure 1: Which of the following devices, if any, do you use to interact with your financial institution?



Variable: N-1,110 - 1,391 investment management account holders

Source: Deloitte Center for Financial Services

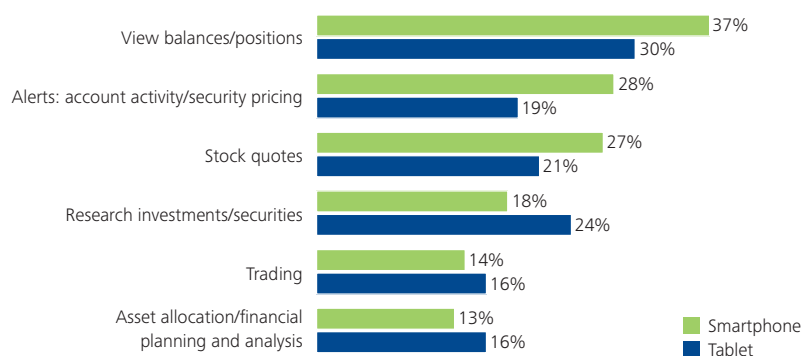
It is also interesting that more than 80 percent of IM account holders ages 21-45 use a tablet to interact with financial institutions, and one of the clearest findings of the survey is that IM account holders use multiple devices to interact with investment managers.

The survey data also indicate that a slight majority of IM account holders, despite an apparent lack of enthusiasm, are in fact interacting with a financial institution (not only an investment manager) via mobile devices. It is noteworthy that IM account holders are using their mobile devices for some financial services activities, despite saying those same mobile services are less important for investment management.

How is the mobile channel being used in investment management?

According to our survey, IM account holders primarily use their mobile devices for the consumption of information. As shown in Figure 2, the top four options chosen are all information-based activities. Mobile use for an actual transaction, i.e., trading, is one of the least popular offerings, at about 15 percent of those surveyed.

Figure 2: How do you currently use your smartphone or tablet for investments?



N=1,474 investment management account holders

Source: Deloitte Center for Financial Services

The importance of the size of the device also came through when we asked IM account holders about major limitations impacting the use of mobile for financial services. The two leading responses were: “difficulty in seeing on a smartphone screen” at 31 percent, and “difficulty in typing on a smartphone screen” at 23 percent. When asked the same question about tablets, only 3 percent had those issues.

Our survey data show that the biggest challenge to widespread mobile adoption in the financial services industry, by far, is concern about security (Figure 3).

The fact that 78 percent of respondents were at least “fairly concerned” about mobile security for investment purposes goes a long way to explain the less extensive use of mobile services for investment management. The real impact on investor behavior is also shown in Figure 3 with 75 percent of respondents stating that their security concerns had at least “moderately” restricted their use of mobile for all financial services. The concerns about mobile security are palpable in some of the survey’s open-ended responses. These include:

- “Hackers are becoming more and more active in the world and are able to access and steal identities.”
- “I am afraid that my account information could be captured by an outside group. Also I am not convinced that mobile security programs are effective. Therefore I prefer to do as little financial business as possible on mobile devices.”
- “I am not even going to take the chance.”

These security concerns are impacting which mobile services, if any, investors are willing to use. The Deloitte survey data suggest that respondents have several levels of concern regarding mobile security. According to our open-ended answers in the survey, IM account holders were least concerned about viewing general information, and more concerned with any activity that required entering their own information. This argument is also consistent with the data in Figure 2, which indicate that mobile use is low for transactions. This tiered level of concern should be considered when investment managers are designing their mobile offerings.

What about the advisor?

Our survey did not delve into how financial advisors use investment management mobile services. However, they do warrant a mention because of their important role in the distribution of investment management products and services. One intriguing finding from our survey is that all respondents were more likely to find mobile banking services extremely or very important (39 percent) than investment services (23 percent) or insurance services (19 percent). One possible reason for this is that for many, banking tends to involve more routine transactions, and therefore the interaction is more familiar. Another factor is that both insurance and investments are more likely to be

intermediated than banking, meaning that the investment manager does not always have as strong nor as direct a relationship with the end client because an advisor is often in the middle.

The fact that many advisors serve clients outside of their office provides a real opportunity to harness the power of mobile offerings. For example, an advisor could use a tablet to present a client with a quarterly review, complete with interactive charts and performance information, or to download and wirelessly print an account application, or even better, complete it electronically with e-signature capability. Another useful finding from the study is that 53 percent of investment management account holders answered that immediate access to a video call with their investment advisor would be fairly or very valuable. This type of virtual face-to-face interaction could have any number of service applications for investment managers in the future.

What does it all mean and what should investment managers do?

Is mobile a worthy pursuit?

The first task is to decide whether and how much to invest in a mobile strategy. Our data show that it is by no means clear that investors are ready to widely accept mobile services and that presents a challenging decision for investment managers. However, because of the growth of smartphones and tablets overall, and the fact that a significant percent of account holders do interact with investment firms via mobile devices, we expect the majority of investment managers to continue to invest in mobile.

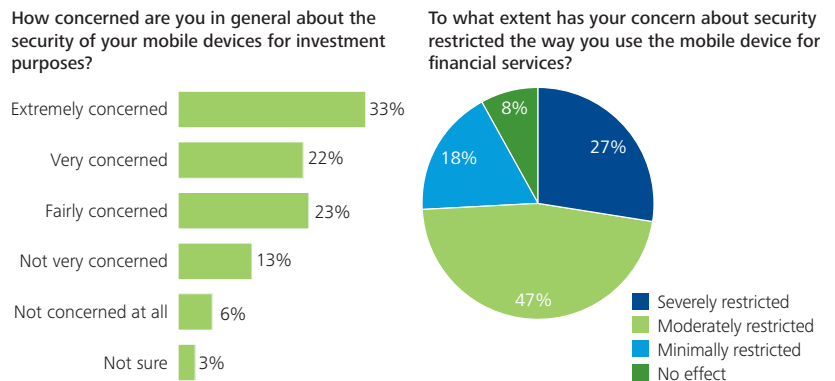
Assess priorities

Investment managers should next consider what they want to get out of their mobile offering and build accordingly. Is the primary goal marketing and branding, is it serving advisors, is it enhancing customer service, or is it to make all web functionality, such as transactions, accessible via mobile devices? This setting of priorities will have far-reaching implications for the design and delivery of mobile offerings and should be carefully considered.

Integrate customer touchpoints

Our survey also shows that investment management account holders interact via multiple devices. This means investment managers cannot think of mobile as a discrete channel. Rather, it is part of a customer-service ecosystem that must be integrated with other customer touch points.

Figure 3: Investor security concerns versus actual mobile use



N=1,488 investment management account holders **N=1,283 investment management account holders**

Source: Deloitte Center for Financial Services

It is customers who will determine how, when, and on what devices they will interact with investment managers. For example, a customer on the train to work might use a tablet to check the status of a fund purchase, then, seeing an issue, might stop by a branch office to inquire, and then check again later that day from their laptop to ensure the trade was executed.

Address security concerns

An important part of the prioritization process for investment managers is the security concerns of their clients. Our data indicate that accessing general or educational information is less of a concern to many investors. This information can include fund performance and top holding information, market data and forms and applications. However, the real power of mobile can be harnessed when a client logs into their account, is able to view their individual account performance, and is able to make transactions. By making the mobile experience personal, it becomes stronger, can potentially reduce service costs, and can provide valuable analytics. For example, when investors are logged in, investment managers can gain valuable demographic information on the use of mobile services and build accordingly in the future. The focus on security is both a technology effort as well as a marketing effort. Investment managers should strive to ensure the security of their mobile offerings *and* they must convince their clients of that security if they want full investor engagement. This is a challenging, long-term, and ongoing effort, but a necessary step in the evolution of mobile investment offerings.

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Endnotes

- ¹ Val Srinivas, Sam Friedman, Jim Eckenrode, "Raising the bar on customer engagement through mobile financial services," *Deloitte University Press*, May 19, 2014.

The Center wishes to thank the following Deloitte professionals for their support and contributions to this report:

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More data from the mobile survey is available upon request. Please contact your Deloitte client service professional or any of the contacts listed in this publication for more information.

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