

NavigatorInsights

Is It Time for Our Industry To Embrace Mass Personalization?

Nike. Coca-Cola. Oakley. They are all top brands in the global marketplace and they have all led the charge towards mass customization and personalization. You can build a custom pair of Nike Free Run sneakers online, incorporating your favorite designs and colors. You can put your name on a virtual Coke bottle and “share” it on social media. You can even custom-build your own shades on Oakley.com, creating your own unique pair of sunglasses.

These brands, and many more, are using personalization to grow their brands and generate conversations among users. According to a report by Bain.com, they are discovering that they can elevate customer loyalty and engagement — and use their customer base as an engine of advocacy to potential buyers. By providing customization options, brands raise loyalty at a time when it's more important than ever. In a recent Bain survey of more than 1,200 global executives across a range of industries, 67% believed their customers are becoming less loyal to the brand. Customization also helps companies reach specific customers — such as the unpredictable millennial generation.

In the investment industry, it is paramount for clients to remain committed to their investment strategies in order to reach their long-term goals. Just like Nike and Coca-Cola have used personalization to grow loyalty and target new customers, the investment industry can use personalization to connect with a new generation of clients and reinforce the importance of financial planning with current clients.

Helping Clients Stay in the Game with a Personalized Approach

Many of the most successful advisors I know consider their clients friends. Their offices are adorned with pictures of their clients' achievements. There are the college pictures, the retirement parties, the client in the “dream car.” There are the world travel pictures, wedding pictures, and pictures documenting clients' charitable impacts. The diversity of the achievements can be striking, but they are all examples of the power of financial planning in helping people reach their life goals.

Each of us is unique and each of us has different goals, and the investments should reflect that.

Utilizing Personalization to Curb Emotional Decision-Making

Ninety percent of advisors say their top challenge in 2015 will be clients' emotional reactions to market movements.* We all know that making emotional decisions when investing decreases the odds of reaching one's goals. Clients are most likely to sell out of their investments at market lows and to get caught up in the buying frenzy at market highs.

What makes personalization so compelling is its ability to provide clients a sense of control over their own destiny. It helps them stay focused on their own needs rather than the day to day frenzies of the market. In doing so, it can prevent emotions from derailing investment plans.

The Old Playbook: Products First, Client Last

Customization and personalization are at the heart of financial planning. Successful financial advisors are experts at building personalized financial plans with personal benchmarks, but the asset management industry has been slow to catch up in offering personalized investments to support the financial plan. Traditionally, asset management firms have started with the products, promoting strategies that focused on beating benchmarks. Clients too often became focused on irrelevant benchmarks, because that's the only thing we gave them to compare their investments against.

When clients become too focused on irrelevant benchmarks, it can wreak havoc on their ability to remain committed to their plan. As Don Draper said in *Mad Men*, “If you don't like what's being said, change the conversation.” Keeping clients focused on their own needs requires asset managers to focus on the clients first, and build the product set around their specific needs.

The New Playbook: Client First Investment Strategies

In the new age of global communications, it is becoming increasingly difficult to stay engaged if we don't find a topic relevant or we're not emotionally connected to it. By helping clients tune out the sheer volume of market noise out there, we can offer them a better experience with a higher probability for success. Here are three ways you can incorporate personalization into the investment planning process:

- **Case Design:** Ask the asset manager if they offer case design as part of the partnership. Through the case design process, you can ensure the investments are tailor-fit to the meet the client's needs and objectives.
- **An Income Plan with Personal Benchmarks:** The right income planning software can help you identify the impact of outside sources of income such as social security and assets held away from your advisory oversight. It can help you identify the client's personal benchmark and use it to ensure the client is on track to maintain their lifestyle in retirement.
- **Advanced Unified Managed Account Technology (UMA):** Since a personalized investment portfolio often requires multiple strategies, the number of accounts and individual strategies are best suited as "sleeves" within a single account. The right UMA technology can help you simplify paperwork and reporting and make changes in the allocation when necessary.

Connect a client's investments to all the things that define them, and you're delivering a very powerful concept. Products and services are becoming more and more personalized. Isn't it time for investments to join the movement?



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