

in selecting a single platform, we do empathise with the desire of firms to limit the number that they operate. Among the selling points of a platform is that it gives a single view of the customer's investments and allows the adviser to efficiently manage the portfolio. The more platforms a firm has to use, the more diluted the simplicity, the efficiency and cost saving arguments become. Indeed, there is a question of whether the increased costs of dealing with more platforms should result in increased adviser charges – potentially offsetting savings between different platforms.

So far we have talked about platform selection on the assumption that a business has made the decision to adopt a platform strategy and the question is which one, or ones, to choose. However, we believe that too many firms are 'jumping on the bandwagon' without thinking whether it is right for their business and, more importantly, for their customers. There is a real danger that people adopt a 'me too' approach and we suggest a strong note of caution – as do many of the platforms themselves.

The FSA has produced a helpsheet <http://bit.ly/gHWpkl> which we believe is one of its better outputs.



Some of the platform operators also now provide their own 'Due Diligence' material (usually following the outline suggested by the FSA) and some even have dedicated business consultants to help advisers with the whole business transitioning and assessment debate. We think that the support offered is to be encouraged but it does often have a

marketing bias and so be sure that it isn't just a box ticking exercise.

So how should a firm consider a Platform strategy?

### The FSA helpsheet identifies a number of areas to consider.

#### About your business:

1. Your overall business model and the type of services you want to offer – which might differ depending on the type of client;
2. Your typical target market and approach to client segmentation;
3. Your remuneration model – for example, fees, commission or a combination; and
4. Your existing systems and procedures.

#### About the platforms:

1. The platform provider (for example, their reputation and financial standing);
2. Terms and conditions of using the platform;
3. Charges – including actual cost, charging structure and transparency of charges;
4. Range of funds, tax wrappers and other products available;
5. Range of asset classes;
6. Functionality (for example the ability to switch or re-register off platform or record legacy assets);
7. Accessibility;
8. Additional tools (for example, risk profiling and asset allocation tools); and
9. Support services (for example, help facilities and training).

Developments in the market could mean that your chosen platform provider(s) may not remain the most appropriate option for your business or clients. Periodic reviews may be required.

It really is important to spend time on both parts of the assessment. You may well have looked very carefully at your business as part of the transitioning process for RDR. Some businesses carry out regular strategy and operational reviews, others simply go from day to day. Understanding what your objectives are for the business and those within it are vital. Platforms are not a universal panacea to the move towards fee charging. They will not fix a weak business and the 'change management' process should not be underestimated.

Customers are a key part of any assessment for adopting a platform strategy. You must be able to understand the value that a platform can deliver to

the client. If the value is not clear and quantifiable, you will probably have problems with your relationship at some stage. It is too easy to latch on to sweeping statements such as 'single view of wealth' and 'an efficient way of managing the portfolio'. However, if these benefits and others can't be 'cost justified' against what the customer is going to have to pay then you have to ask if it is the right decision.

Segmentation is something that we have heard firms' talk about as part of the process of matching platforms to needs. We agree, but we have also seen simplistic segmentation such as 'wealth' and 'mass market', or A,B,C categories. We believe that greater granularity of assessment should take place. Just because someone has a lot of money does not mean that a platform is the right recommendation nor does a lack of wealth mean it is not. The decision of on and off platform recommendations must be considered on a case by case basis not just a client by client basis. It is too easy to use a 'cookie cutter' approach as a means of getting assets under administration and an income trail based on a percentage of fund value – whose objectives are driving the motivation?

Although it may come across as a defensive question when looking at due diligence, one way of testing your approach is to ask 'if the FSA was going to walk through the door and ask for the file of work that you did to decide your strategy and select the platforms, what would you have available and would you feel nervous that it was sufficient to answer the questions they would ask?'

### When looking at platform strategy, we believe that a firm should agree and assess:

- What its objectives and motives are for adopting the strategy?
- What are the segments of customer that it is going to service?
- What is the capability and mind-set of the advisers within the business – do they understand, are they ready, can they transition, do they believe in platforms?
- Will it choose restricted or independent status (note that 'best execution' applies to both)?
- What are the guiding principles that it will look to meet and against which it will judge

platform choice?

- When looking at platforms, what information does it want to obtain through a formal RFI and through subsequent reviews/presentation meetings?
- What methods will a firm use to capture and assess information, for example spreadsheets with ratings and weightings for the key information?
- What customer scenarios will you have (create) to test the applicability of the platforms?
- Will you use independent comparison tools as part of the evaluation process (maybe also use them as part of ongoing selection and/or regular reassessment reviews)?
- What technology integrations and operational changes will be needed?
- Who will carry out the reviews – managers, users (perhaps a client view)?
- What conclusions are reached?
- How will you implement the strategy – a clear project plan with tasks, milestones, owners and timescales along with costs and interdependent implications (remembering that there is a business to run too)?
- What training requirements will be needed and for whom?
- What operational changes will be needed?
- What communication will be carried with customers?
- How often will you re-evaluate the decision on platforms – regular reviews will be expected by the FSA and competitive changes may impact the selections made?

Platform selection need not be daunting but it is not something that should be undertaken lightly and will require time, effort and money. Acting in haste could result in significant problems and those that have made decisions should be sure that they would pass the tests that will most likely be applied from now on.

The excuse of - 'I made the decision based on what I knew at the time' will not be acceptable, there is an ongoing obligation now and into the future to ensure that customers are not disadvantaged. Platforms can deliver great value to customers and adviser businesses alike. Equally, they can be wrong for both and a ticking time bomb if not managed properly. 🚩

**Mark is one of the founders and directors of AT8 Group, an e-commerce company specialising in financial services**