

Podcast Transcript
Synergize: Unscripted Conversations to Help Guide Advisor Growth
Episode 8 - John O'Connell: Leveraging Data to Build Emotional Connections
That Help Drive Growth

INTRO:

Welcome to Synergize, unscripted conversations where we explore the evolving role of the financial advisor in an emerging AI-driven world. Join us as we bring together thought leaders across a range of disciplines and industry experts, sharing insights designed to help RIAs thrive in the industry of tomorrow. And now, here's your host, Bill Coppel.

BILL COPPEL:

Hi, I'm Bill Coppel, Chief Client Growth Officer at TradePMR, and I want to welcome you to Synergize. While working on this episode, I revisited a Morningstar article published earlier this year titled, "Why Do Investors Keep Their Financial Advisors Around?" The topic wasn't why clients *leave* their advisor, which is what we usually hear about, but instead why they stay.

According to Morningstar's research, 59% of the time, clients keep their advisors for emotional reasons instead of financial ones. And only 12% of clients mentioned investment returns as a reason for keeping their advisor.¹

So, what goes into creating those emotional connections? And with generative AI replacing many of the more transactional tasks that advisors traditionally have done, how does technology fit into the equation?

An observation.

I believe technology will only get us so far. Which begs this question. What will wealth management look like with this avalanche of technology emerging?

And how will the role of the advisor evolve?

My guest, John O'Connell, is here to help us unpack and address this question.

JOHN O'CONNELL:

Technology should always be a force multiplier, right? It doesn't replace anything that we do. It makes it easier for us to do more of it faster. Right?

So that's really important for people to think, because a lot of people are asking questions about AI and kind of what this is going to do for me. For the firms that understand AI and can embrace it, just like the firms that embraced, you know,

computers or firms that embraced the ability to do portfolio management or financial planning tools, all those tools help them to do more, faster.

And I think you're going to see that same thing. So, when you come down to what does it mean for the advisor today and how does this actually help them grow? I think what you really want to take a look at is, number one:

Where can I use this technology today to be able to better serve my client?

BILL COPPEL:

John is the CEO and Founder of the Oasis Group, a consultancy serving businesses in wealth management, fintech and the financial services industry.

I had a chance to talk with John about ways advisors might want to leverage technology to help them build the kinds of emotional connections with clients that help cement relationships and lead to growth.

Here's our conversation.

BILL COPPEL:

John O'Connell, Welcome to Synergize.

JOHN O'CONNELL:

Thanks very much, Bill. Thanks for having me.

BILL COPPEL:

So, John, you've been working in the financial service space for most of your career now, and you've seen a lot. As you think about it, has the current state of the financial services industry... how has that shifted in the time that you've been in the business?

JOHN O'CONNELL:

Well, I can draw a parallel if you'll allow me to. I mean, in financial services, we've kind of gone very much from more of a product type of focus. Even the times that I was at Merrill, and I was there twice, it was very much focused on kind of the products that Merrill was producing and the products that investors could pick up. You know, and what I see is we're moving very much towards more of a service, professional services orientation. And I'll kind of give you like an idea of how I'm seeing that. I like to think of, you know, in professional services. I was at KPMG; we were a professional services company. We had management consulting, tax, audit. But at the end of the day, we were really helping companies at that point to be successful with the finances of their firm.

And when you think about where we are in financial services today, we're at a point where people are really expecting a higher level of service from the wealth management community, and that's what's really driving a lot of the innovation and the direction we're going in.

I think that's what you're seeing.

BILL COPPEL:

Right. It is. And I want to jump in and emphasize a point you're making, John, which is what I didn't hear you say is anything about portfolio management.

JOHN O'CONNELL:

No.

BILL COPPEL:

So, there's a shift going on from your standpoint moving to more of a broader service focus versus a product focus or even a solutions focus. Right. So, we've gone from product to solutions. Now we're really into creating a better outcome or experience. Talk more about what you're seeing in that space.

JOHN O'CONNELL:

Well, let me give you a parallel. Think of some of the other industries where we've seen service, and we've seen this shift from being a product to a service. I'm going to give you a really concrete example of that. When I booked my honeymoon, I got married in '95. When I booked my honeymoon, we booked it through a travel agent. Of course you would. Why wouldn't you work with a travel agent? And they got commissions for that. This is going to sound very familiar.

What happened is you had new technology that came into play which allowed people to self-service. There were a lot of new applications that came up via the World Wide Web where people could go on and book their own travel.

They could book their own flight as a great example. Then of course, we had Covid, which was another massive shift. Right? Here's another really interesting statistic.

The largest rise of people using travel agents are millennials. Now why is that? It's the service. It's because of the professional service. They could easily book a flight on their phone. They're quite adept at technology. They could easily do that.

Why do they go to a travel agent? Because they want a superior level of service. They want someone who's going to give them an experience, not just, hey, I'm going to go to Ireland. I want to go to Ireland, and I want to know the best places to stay and the best places to eat.

And I want to know how I can do that on my own or with a guide. And that's the really big shift that you're seeing. And when you draw that to the parallel, I mean, we've already talked like I've already mentioned some of the big parallels between that and financial services.

But why are you seeing in the great wealth transfer with all this money moving to younger investors, you're seeing younger investors demanding a much higher level of service.

You know, it's funny, I talk with a lot of financial advisors, and they say to me, I'm not seeing fee compression. I'm still at about 100 bps.

Okay, well, you're at 100 bps, but now they're doing your tax return, you're taking you're, you know, handling college planning. You're handling all these extra services for the same money. So, you are shifting to more of a service culture.

BILL COPPEL:

Right. We have to start to do more. What's interesting about the parallels you've identified is that what I'm hearing here, and I think this is an important, point that I want our listeners to kind of think about, which is the more transactionally based an activity is where once an intermediary had to handle that another example is a grocery store, right. You know, you used to get in line to have somebody who could actually do arithmetic work a machine that would add up what you bought.

That transitioned to well, we don't need somebody who knows how to work arithmetic any longer. We can just scan these barcodes. It'll tell the computer and it'll add it up. Then we moved to the fact that now I don't have to wait for somebody to do that for me. I can do it myself.

To the point today where I can walk down an aisle in a grocery store with my smartphone, scan an item. It immediately hits my credit card, and I can walk out the door and virtually have no interaction with anybody. So, when you talk about service, it has to be meaningful. In the example you give, with the travel agency business and millennials, you know, typically gravitating that way. Perhaps, and this is what I want to get your reaction to is, so why? Is it that emotional confirmation or that feedback they're getting from the travel agent that's helping them make a better decision?

JOHN O'CONNELL:

I think it's the level of service that really is helping them to make that better decision. So, they're going to a travel agent, just like they would go to a wealth management firm because they want that level of expertise.

You know, there's a lot of talk today about how many young investors get their financial advice from the internet, right, from TikTok or Instagram. And I think that that is fine for an investor that's just starting because they don't know any better yet. But when they start really accumulating any sizable wealth, they want a professional. They want to talk to someone who knows more about that subject than they can and can provide them with really good advice. And I think that that's one of the reasons they turn to a financial advisor.

Think about before, too. We used to really focus very heavily on just investment management. Now when you talk to most financial advisors, there are very few that are not doing financial planning in conjunction with the investment management. And the reason is because I think the consumer is much more educated now. They want a level of expertise. They want a plan that they can execute with the financial advisor in partnership with them to really achieve their goals.

So that's one of the directions that I think you're seeing. It's like, I need to be really personal. I need to talk to you, Bill, about your needs and your wants and the plan needs to reflect your goals and aspirations.

And if we can establish that level of personalization with someone, you're going to have a lifelong relationship with them. And if you're picking up younger investors, that could lead to an enormous amount of revenue over time.

BILL COPPEL:

In a lot of cases, established financial advisors have multiple generations that they're dealing with simultaneously, all with different perspectives on what service means and different sets of needs.

Let's pivot for a moment and talk about artificial intelligence in the context of this conversation. We know that artificial intelligence will get us so far. It can certainly answer a lot of the technical questions that you might want to get answered by a financial professional.

Talk a little bit, John. in your experience about how advisors need to leverage the technology of the day, but at the same time create a personal experience with a client.

JOHN O'CONNELL:

So, let's think about that for a minute. So, first at the base level artificial intelligence is relying upon really good data.

So, the better the data the better the AI outcome that you're going to get.

BILL COPPEL:

A lot of that data will come in dialogue and conversation with the client, am I correct?

JOHN O'CONNELL:

Absolutely. Absolutely. Think about all the information that you gather when you sit down with a client and have a conversation with them.

They're going to tell you about their kids' aspirations. They're going to tell you about trips they're going to be planning. They're going to tell you about trips they've already done, all of which have a financial impact that you want to be able to discuss with the client.

Right?

BILL COPPEL:

John, let me just jump in for a second because you raise a really good point. They want to tell you about these things. Are advisors well positioned to ask the right kinds of questions to elicit that response?

Because typically it's "Bring your manila envelope with all your financial papers in it. We'll go through it."

That's a different conversation you're talking about.

JOHN O'CONNELL:

It's a very different conversation.

BILL COPPEL:

So, talk about what that conversation needs to be.

JOHN O'CONNELL:

If you look at some of the advisors that are growing the most today, right, the riches are in the niches. So, what you find is these advisors are niche operating. They focus on a specific set of investors. And I'm not talking about investors that have a certain minimum, you know, investable assets.

We've talked to advisors. There was an advisor that we spoke with that is absolutely crushing it. They've hired 20 people in their office, financial advisors, junior advisors, and they focus on police and firemen out in the Arizona area.

They can have a real conversation about some of the challenges that cops and firemen have in saving for retirement, the concerns they have around life insurance. It's a dangerous job. I can give you hundreds of examples of this where people are focusing on really niche communities so they can have a more intimate conversation with them and capture some of those details.

If you are moving from, think of it like this, a financial advisor will call up and say, if you're a medium size advisory, say around, you know, 200 to 300 million. A lot of folks are concerned about the service they may be able to get from some of their service providers because they're not big.

And they say, they've said to me, John if I call service provider A, and the next phone call they get is from a \$2 billion firm, what kind of service am I going to get at the end of the day, when they're going through all their action items?

Think about that as you're providing the advice to your clients, right? If you're talking to some clients that are ultra-high net worth and then some clients that are mainstream millionaires, at the end of the day, when you're going through your action items list, what's bubbling to the top and what's not bubbling to the top.

So, if you can focus more effectively on a specific niche, then you can have these conversations and that's going to drive your data strategy as well. The data that you capture is going to be driven by that. And if you've got really good data, then you can start leveraging new technologies that are out there like that, are reporting, business analytics or even AI.

So I do think that there's opportunities there for advisors to really look at their practice and say, If I'm going to prepare for the future and I'm going to think about where I want to go, where does my practice want to be in ten years or 20 years? How do I do that today? What questions should I be asking today, not only of myself, but of the direction I want my business to go in?

BILL COPPEL:

So, what I'm hearing you say is better questions, capturing that information, using that, or converting that information into data where you begin to and as I understand, AI, artificial intelligence really is the ability to process large sums of data to look for patterns and eliminate data that's irrelevant to what we're doing. Right?

So, it's narrowing that focus. As a financial advisor today, as an RIA, specifically, John, how should I be thinking about AI? Where should I be thinking of inserting it into my business today?

JOHN O'CONNELL:

Well, first, you should definitely get educated on what AI is, right? A lot of people think AI is just ChatGPT and although ChatGPT is really interesting, it's not, that's not encompassing of AI. That's like saying alternative investments are non-traded REITs. There's a lot in the alternative investment space besides non-traded REITs. There's a lot in AI besides ChatGPT.

BILL COPPEL:

Yeah. Break that down for our audience so they understand what you're talking about there.

JOHN O'CONNELL:

Absolutely. So predictive text. We've had that forever on your phone right when you type and it knows what word you're typing. That's predictive text.

Generative predictive text, which is the GPT of Chat GPT. What that actually is is the ability to predict what you're going to, what you're going to write next, not just the word, but actually predict the next sentence or the next paragraph. And it does that by understanding a really large amount of language.

You also have large language models. Think of all the acronyms we use in wealth management today. If my language model does not understand those acronyms, it's not going to understand the context and it's not going to be able to produce any good results. So, a second piece of AI is language models.

Third piece is neural networks. When you can have AI actually make predictions about what your outcome is going to be. That takes an enormous amount of data to do. But neural networks or machine learning is part of AI, right? Using AI to be able to look at a large amount of data and then as the data is being processed, to be able to learn more and more about that data, in a machine learning way.

So, the first recommendation, I would say, if you're an RIA is number one, get educated on the different types of AI and what they are. Because when someone says AI to you, your first question should be what portion of AI are we talking about?

The second thing I would say is start to understand how AI uses data, not in an intimate computer science way. Just in a business way. The more data you have, the cleaner the data, the better the outcomes you're going to get. That's fairly simple. So, if you start to look at your data, that's going to give you a really good idea. And then of course, coming back to what I talked about a moment ago, understand what is the outcome you want to achieve.

If the outcome is I want better marketing messages. I want to be able to send out more personalized marketing messages. Well, then then any kind of predictive text that uses a large language model may be great for you.

If you want to have a better logo. Then go look at one of the programs that will generate images for you. Understand what you want to do, and then go look at the at the solution set that you that you may want to pick up.

BILL COPPEL:

John, that was a great description and a little primer on sort of the various aspects of artificial intelligence, some of the technology of the day. I want to change gears again and focus on a couple of different things. The big buzzword, right now is that what's going to be really important is this notion of personalization, okay. And of course, the opportunity to grow. How do I become better at running my business?

How do I get better at serving my clients? And ultimately, how do I grow my platform? So, what I want to turn the conversation now to is, is a bit more of a practical discussion about what are the things that RIA firms, advisors in general, can do leveraging this technology to create a better, personal, deeper relationship with the client and become more competitive at the same time?

JOHN O'CONNELL:

Technology should always be a force multiplier, right? It doesn't replace anything that we do. It makes it easier for us to do more of it faster. So that's really important for people to think, because a lot of people are asking questions about AI and kind of what this is going to do for me. For the firms that understand AI and can embrace it, just like the firms that embraced, you know, computers or firms that embraced the ability to do portfolio management or financial planning tools, all those tools help them to do more, faster. And I think you're going to see that same thing.

So, when you come down to what does it mean for the advisor today and how does this actually help them grow? I think what you really want to take a look at is number one. Where can I use this technology today to be able to better serve my client? Either that is, let me understand my clients better, in which case start mining your CRM data. You don't need AI for that by the way. Just start running reports in your CRM data and figuring out what's my ideal client look like? Which clients do I have all of their money? Which clients have a lot of held away? Why do they have held away? What am I not providing them that they don't want to move that money? Start thinking about some of those.

One thing that I will also say is a lot of financial advisors that we talk to have an enormous amount of information locked up in these big text notes that are sitting either in their financial planning tool or in a notebook in a drawer or like in their CRM. When it's locked up like that, you can't mine it. You can't search it. It's not easy to get to. So, think about how can I, unleash that information for me to make better decisions about my client and make better decisions on how to service them?

And that's going to be that's really important. So, if you struggle to know the children's names of your client or you don't know their birthdays, that's pretty easy to be able to track. Start thinking about where am I tracking that today? Can I track that better? Because the deeper relationship I have, the more referrals I'm going to get from that client, right?

Which a lot of advisors still grow very much by referral. So, how do I mine that data to drive deeper relationships, which are going to drive more referrals for me? and that's going to help you to grow.

BILL COPPEL:

Well, that's a great point. And so, what I'm hearing you say is that we have a lot of data. It's probably not as organized as it needs to be.

And rather than kind of guess and continue to do things the way we've always done them, start to dig deeper into finding and understand and discover the patterns with the data that you've got on your clients, whether it's in your CRM or in a notebook someplace or in some text notes.

As you mentioned, there's technologies that can convert that text note into data, but really start to mine the data to learn more. And I heard you say to create a deeper relationship, which is very different than what we have traditionally done in the past. Why does that matter?

And how does that link back to personalization? Because, you know, let's face it, Steve Jobs, Jeff Bezos, taught us that we can have whatever we want, whenever we want, immediately the way we want it. Right?

And so, we have multi generations of people who want it a very specific way. And it's like account-based marketing, it's about marketing to you as an individual. It's no longer a market, it's an individual. How do you see that manifesting itself relative to the data that you're talking about? And in creating this personalized relationship?

JOHN O'CONNELL:

It's really interesting when you think about the personalization that you see today, that doesn't only extend to the big ones like you mentioned, Amazon. Going to Starbucks. All right. And when you go into Starbucks, if you have the Starbucks app, Starbucks can actually say to you, hey, why don't you order your recommended drink? It remembers your recommended drink and remembers the way you like your coffee.

So how did they do that? Well, they made a big investment years ago on data on making sure that if you had the Starbucks app, I knew the Starbucks that you went to the most from geolocation on your phone. And where you placed the order. And I knew what your drink was based on the number of orders that you placed.

So, I can tell you definitively you like an egg sandwich on a Monday morning with your coffee, but you don't like it on the other days, right?

How do they do that? Well, they focused on the data. They didn't just capture data for the sake of capturing data. They captured data for a very, very specific reason. Because when they know it's your birthday, they offer you a free coffee. Why? Because when you go in there for a free coffee, you're probably going to get something else. And it's tapping into that personalization of you. It's your birthday. We're going to celebrate you with a free coffee. So that personalization has pervaded, pretty much it's everywhere at this point, right?

Amazon knows what you want. Alexa knows what you play. Spotify gives you recommended lists. So, we're very slow to move in the financial services industry around that.

And I think that that's to our detriment, because when you think about some of the people that are trying to mine this data now moving forward, think about all the competition we have in wealth management. Wealth management. although RIAs is one of the areas we work with the most and the one that you're most familiar with at TradePMR, we've got banks that are trying to offer wealth management advice. We've got broker dealers trying to offer wealth management advice. There are applications trying to offer wealth management advice.

So, there's a lot of competition out there. If we're not going to move quickly and understand that data and drive that deeper personalization, there's just too much choice available in the marketplace today and people can go elsewhere. So, if you're an RIA and you're listening to this podcast, I encourage you get a handle on the data you currently have, get a handle on your client base. I can't even tell you how many RIAs we talk to when I say what's the average age of your client base? And they're like, well, that's interesting. I actually don't know the average age of the client base. I couldn't graph that for you. Tell you what that looks like. That's really easy to be able to do and that can tell you a lot of things about your practice.

So, you can drive action items directly from the data you already have today. So, I think if you're listening to this and you're not on top of that data, it's going to affect your growth. You may not be seeing it right now, probably because you may not be measuring as well as you should. But it is going to affect your growth over time. And the last thing I'll say on that point is, you know, we have a lot of advisors we talk to that would like to monetize their practice at some point in time.

BILL COPPEL:
Sure.

JOHN O'CONNELL:
If you would try to sell any business and you don't know the history of your clients, how long you've had them, you don't know the average age. You don't know their buying propensity. If you sold any business outside of the RIA space those are questions that are very common for even a valuation team to ask you to value your business.

So, if you are in the wealth management industry and your business is probably the largest asset you have next to your house, it's probably in your best interest to answer these things, especially now when you're not at a point where maybe you have to get out of the business quickly.

BILL COPPEL:
That's right. And to kind of sum up what you just said, what struck me, is that advisors, myself included, when I was an advisor, we anecdotally have a sense, but what you're saying is that's not good enough.

You need to factually be able to frame exactly what your client base looks like, both to understand the value of your business, but more importantly, to look for those patterns, to get more insight and build a deeper relationship with those clients to address the things that they're not talking to you about.

And it goes a little bit back to your Starbucks analogy and what I would share with you on that fact is, it's great that they know on Mondays you like your coffee and an egg sandwich. But what that technology also does is it begins to understand more about you and your eating patterns and suggest new things at various times to expand the relationship with Starbucks.

I think we can do similar things with our clients. As we learn more about them, we can begin to expand that relationship beyond sort of what's been the centerpiece, which is their portfolio.

So, John, in the few minutes we have remaining, share with our audience what are the three things you would recommend advisors take away from this conversation that they could implement, or at least begin to start a process to implement, to help them create a more personalized experience for their clients and ultimately grow their business.

JOHN O'CONNELL:

I'd say the first thing is, be curious about your existing client base, right? And not just the annual meetings that you have or preparing for those annual meetings. Really be curious about them.

Take an opportunity to sit down and take a look at who are my current clients today? What is their demographics? What's the commonality that I have? Ask yourself those kinds of questions. That's going to really help you to identify not only opportunities with your existing clients, but that's going to inform everything else you have. It's going to inform your marketing.

If you're very successful at winning this particular client type, that's pretty much the client type you should be going after out in the marketplace. So, I would say, first, understand your current clients really intimately beyond the annual meeting and things like that. Second, take a look at the data you're capturing.

Does that match the understanding you want to have with your clients? When you go to look at your clients, by the way you're going to figure out these gaps that maybe you don't know as much as you would like to. That's going to now change your business process and the data you capture.

BILL COPPEL:

Yeah. Expand that data set is what you're saying.

JOHN O'CONNELL:

I'm going to expand that data set or I'm going to capture, I've got gaps and I want to close those gaps. I want to be able to really understand this much more closely. So first basically get a feel for your client base.

Second, close out the gaps. Figure out the data that you want to be able to capture and start capturing it.

And then third act upon that. Don't just capture the data for digital hoarding purposes. Really come up with, how am I going to use this moving forward? How am I going to use this to deepen the relationship with the client? Do I know all my client's kids? Have I met them? Have we done a family financial planning session? That's a novel idea. Have a conversation with the parents about what is going to happen eventually. Do we want to have your kids come into that kind of conversation?

There's so many opportunities that you can derive from knowing your existing client base really well. And then when you do ask for a referral instead of just saying, would you happen to have anyone that you could refer me to in your social circle?

You can be even more targeted than that. "You know, we do really well with folks like yourself, Bill, that are in this economic echelon or live in this particular town or have this particular profession. Do you happen to have anyone else you could refer me to like that?"

That's going to cut down on the misses you have too, right? So, the clients that you get referred to, but they're not your ideal client. And then you're in that sticky situation of, how do I tell my client that the referral they gave me may not be the best fit for me? You can avoid that by just saying, hey, this is the ideal client that I'd love to talk to. Do you know anybody like that? They're not going to refer someone that doesn't fit that model because you've asked.

BILL COPPEL:

That's a great point. Well, John, I want to thank you for joining us today and sharing your insights and it points to the fact and I think you've made this very clear in your comments, that we have got to evolve and think differently about how we conduct business as RIAs and advisors, if we want to remain competitive and grow

JOHN O'CONNELL:

Thank you very much Bill.

BILL COPPEL:

So, to recap, here are a few things I think are valuable for firm leaders and advisors to take away from today's conversation.

First, make sure you understand your client base and how this can inform your growth strategy.

Second, look at your data with an eye towards closing any gaps between what the data is telling you and the client experience you want to create.

And third, use what you've learned to deepen your relationships with clients.

We hope you enjoyed today's conversation and if you like what you heard, please take a moment to subscribe and follow us on social media.

Thanks for listening and watch for our next episode, where we'll bring you more insights and actionable ideas to help you grow your business.

And remember, the challenge is yours to capitalize on what the future offers.

OUTRO:

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¹ [Why Do Investors Keep Their Financial Advisors Around?](#) Morningstar. Published Jan. 22, 2024.