BUILD OR BUY?
Client Onboarding Platforms for Wealth Management Firms

Key technology considerations for improving the client onboarding process in Wealth Management
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Client onboarding has become one of the most critical areas of improvement for Wealth Management firms. According to CEB TowerGroup, 88% of Wealth Management firms have made it their number one priority to improve client onboarding processes.¹

The client-advisor interaction of opening a new account is only the tip of the onboarding iceberg. The process of opening and managing client accounts is often complex and inefficiencies can add up, costing financial institutions millions of dollars a year. There are also a number of timely reasons why client onboarding has become an urgent business priority for traditional Wealth Management firms.

First, there is an ever-growing gap between digital client expectations and reality. According to PwC’s Global Wealth Management Survey 2016, 69% of High Net-Worth Individuals (HNWI) are now using online channels for some aspect of their personal banking, but only 25% of Wealth Management firms offer a digital component as part of their offerings. This gap between expectation and reality is often most apparent at the very beginning of the client relationship, during the new account opening process.

Second, Robo Advisors have successfully proven that new account opening can be performed in a fast, digital way that doesn’t compromise compliance measures. Industry-leading Robos such as Betterment and Wealthfront are able to facilitate the opening and funding of a new account in less than 30 minutes. This competitive pressure has led more traditional institutions such as Morgan Stanley and Wells Fargo to adopt a Robo Advisor channel, and has put pressure on the rest of the industry to improve the speed and quality of their current offerings.

¹CEB Tower Group, Digital Signature Software, 2016
Finally, traditional institutions have recognized paper-based client administration as an inefficiency they can no longer afford. In their report on the state of client onboarding in Wealth Management, Accenture argues that between the ever-growing list of wealth products, and the sometimes crippling legacy technology infrastructure of firms, the need for a unified client onboarding process is greater than ever. Confounding the problem is the fact that onboarding is “primarily task-driven, paper-based, and administrative in nature, which results in advisors and support teams wasting valuable time on highly manual tasks such as repetitive entry of client data”\(^2\).

Wealth Management firms are facing external pressure from clients and competitors, and to a greater extent, internal pressure from the challenges of managing a complex web of products, clients, advisors, and regulatory requirements. It’s apparent that Wealth Management firms must find a way to change their client onboarding approach, or the external and internal pressures will significantly hinder their quest for market leadership.

\(^2\) Accenture, Redefining the Wealth Management Client Onboarding Experience, 2015
SOLUTIONS FOR IMPROVING THE CLIENT ONBOARDING PROCESS

In this guide, we'll discuss the three main approaches to improving the client onboarding process. We'll weigh the pros and cons of each, and provide recommendations based on 15+ years of onboarding transformation, and leading industry research.

MY FIRM’S OPTIONS

We’ve witnessed financial institutions attempt to solve this problem hundreds of different ways. We can aggregate these solutions into three categories:

1. Building your own custom software
2. Combining multiple systems
3. Partnering with an onboarding software provider

The suitability of these options will vary depending on the needs of your firm, and the existing technology architecture already in place.
IT VS. BUSINESS PROJECT

A common misconception in assessing a client onboarding project is the belief that it belongs under IT. Forward-thinking firms adopt the vision of business transformation rather than simply viewing client onboarding as another IT project. Client onboarding impacts several different functions and business processes, is directly affected by constantly changing regulatory requirements, and can serve as a key competitive advantage when executed properly. These are building blocks of corporate strategy that require IT support, rather than separate IT projects that require business input.

Dan Oliver from global enterprise consultancy Headstrong, put it this way in a ‘Build vs. Buy’ address to technical project managers: “Remember: Business first, technology last.” When your team is clear on the larger organizational goals of your firm, such as gaining market leadership, increasing book of business with current clients, or improving the Client-Advisor experience, then you will be in a better position to assess the most appropriate solution for your firm.

An IT-sponsored project could lean toward developing or licensing a very effective point solution such as digital forms or digital signature, but would inevitably fall short when it comes to solving the entire process from collection of client data all the way to final compliance sign-off, and ultimately re-use of that client data in future interactions.

In order to reduce administrative costs, increase revenue, and improve the client experience, the entire process has to be improved, not just the aspects most visible to front-office staff.

CONSIDERING YOUR OPTIONS

After creating a clear business case that aligns with the larger organizational goals, the next step is to consider the specific benefits and drawbacks to each type of solution.
Firms with internal development resources may be technically equipped to build a solution in-house. However, very few firms have the required combination of time, internal resources, and market foresight readily available for building their own client onboarding solution.

Partnering with a custom BPM provider experienced in client onboarding projects would take approximately 12-18 months for implementation. Attempting to undertake the same custom project without the expertise and resources of a BPM firm would push the completion well past 3-4 years!

A firm may also choose to build a point solution themselves with a significantly reduced scope. Leveraging internal development resources could result in digital application forms coded within weeks, replacing some, but not all paper-based processes. However, client onboarding is not a process that can easily be reduced to just online forms. According to research by CEB TowerGroup\(^3\), a true client onboarding solution in Wealth Management has 3 key components:

1. Digitized, intelligent forms for capturing data (these ideally can detect when an error has been made)
2. Integrated data that can pre-fill forms from internal and external databases
3. E-Signature capabilities that enable a completely paperless onboarding process

Firms opting to build their own solution frequently settle on a combination of digitized forms and licensed E-Signature.

This is a legitimate option for short term gain, but does not solve the deeper operational inefficiencies of the typical Wealth Management firm.

\(^3\) CEB TowerGroup, Digitization and Automation: The Foundation for Onboarding Success, 2015
CUSTODIAN CASE STUDY

Agreement Express was approached by a leading North American Wealth Management Custodian, who was using 4 different onboarding channels, including fax. This was a logistical nightmare for back-office teams who needed to centralize this information and create standardized processes. There were rampant application errors, and no visibility into what stage the application was at in the process or where the biggest bottlenecks were. To make matters worse, back-office staff had to spend 50% of their time re-keying information into a CRM System.

This is the type of ‘iceberg below the surface’ problem won’t be solved through digital forms and E-Signature alone. If the organizational objective is to create more efficient processes and improve the client experience, we need a concerted effort to implement an onboarding automation platform that spans lines of business and integrates with multiple systems.

The primary problem with building a custom solution is not necessarily in the technical complexity, but in the sheer scale of the business processes, integrations, and intelligent field mapping required to build this system internally.

As onboarding software vendors can attest to, this type of end-to-end platform requires a few years to build for the very first iteration.

Other Questions to Consider
Before Building a Custom Solution:

1. Which specific business objectives does this project align with?
2. Does your firm have the internal resources necessary to build and maintain a custom solution?
3. Does your firm have 3-4 years of runtime available before launching an onboarding solution?
4. Will there be a dedicated support team?
5. Will development resources be available for rolling out new features as needed?
DETERMINING THE ROI

Financial institutions with internal development resources often operate under the assumption that building internally will be more cost-effective, since they will simply be re-directing existing resources toward a new project. There may be some truth to this, but only when applied to the very long term, under a “set it and forget it” approach. Internal build projects have an enormous up-front cost, as they take years to develop and launch, but could be marginally less expensive on an annual basis if there are minimal updates over the years.

One Merchant Acquiring organization headquartered in Atlanta mapped out their options for scaling their merchant onboarding system, comparing the cost of manually scaling the business, building themselves, and partnering with an existing onboarding software provider.

Their projected costs:

1. Manually scaling (hiring more back-office staff): $1 million
2. Building internally: $2M development, $215K annually
3. Licensing onboarding software: $200k development, $315K annually

While the projected cost for software from an onboarding provider may vary wildly from project to project, and from vendor to vendor, the approximate ratios are a good benchmark. The cost of internal development is roughly 10x compared to partnering with an existing onboarding provider.

AN AGILE APPROACH

Agreement Express is a cloud platform that can be implemented in only 2 weeks, in even the largest organizations. This approach sets us apart from other onboarding providers, significantly reducing any set-up development costs, and empowering our customers to go live almost immediately.

RECOMMENDATION

In general, firms looking to build their own solution will succeed only if:

1. They have extensive development resources
2. They have unique business problems that require custom-built software
3. They don’t need to launch urgently

When those three conditions are met, building an in-house solution could be the firm’s best approach. However, if we summarize this organization’s profile, it’s one that has large internal development resources, has unique business problems unlike any other firm, and does not need to go to market for several years. These characteristics do not resemble many competitive firms today.
The second approach is to integrate multiple technology components to achieve your firm’s goals. Organizations exploring this route are aware they can’t build an internal solution and believe they have baseline systems in place. All that’s needed, in theory, is a few add-ons and developers to integrate systems.

Every onboarding project involves combining systems in one way or another. For example, most Agreement Express customers have an existing CRM System they need to integrate, and many also have a back-office system of record. If they’re a Wealth Management firm, they’ll also have an Advisor Desktop. A robust onboarding platform can and should integrate with these important systems. However, the type of integration we’re discussing in this section is the combination of multiple systems as a replacement for an end-to-end onboarding platform.

On the surface, combining and integrating existing technology is the most cost-effective solution. However, when you begin with the business case and the long-term ROI, rather than beginning with an IT framework and a short-term view, this option is far less viable than it seems at first glance.

At a strategic level, most organizations with an onboarding project in view are looking to achieve one or more of the following goals:

1. Making operational processes more efficient to reduce back-office costs
2. Improving the client experience to increase market share and elevate advisor productivity
3. Increasing transparency of client interactions for stronger compliance

When beginning a project with these goals, combining your existing technology becomes a less effective means to the end, for three distinct reasons:

1. You will not be able to maintain full, clear, auditable records of every step of the client journey with disparate systems.
2. You will waste a considerable amount of time and resources re-keying information between multiple systems, and troubleshooting the system integrations.
3. As your organization grows, or seeks to expand the onboarding process across new lines of business, scalability becomes an issue.
AUDITABILITY

Arguably the most important drawback to combining disparate systems is the lack of transparent, detailed client record auditability. In a compliance environment ushered in by Dodd-Frank and the DOL Fiduciary Rule, Wealth Management firms increasingly need to demonstrate total transparency, and provide fully auditable records for each stage of the client onboarding process.

Many Wealth Management firms have “as-at” client records, presenting historical information such as “As at January 2, 2017, John Smith is a client.” But in the event that John Smith is being investigated for money laundering, his wealth firm is going to be looked at for “temporal” records. They will want to know when he became a client, why he became a client, who approved him, why they approved him, exactly when they approved him, with time-stamps and robust documentation to prove it. This level of detail and transparency can’t be achieved by combining different systems that weren’t intended for that purpose. A complete business workflow that can recreate the effects of an onboarding platform would require a significant investment in BPM customization.

TIME AND RESOURCES

Initially, combining existing technology will be less expensive, and you will be able to realize value much faster than building your own solution. However, your organization will be reliant on multiple technology vendors having robust APIs and documentation to make your systems work together. Having more systems will mean more troubleshooting costs, and more data entry. The switching costs are also higher, as you may realize the need to transition to an integrated onboarding platform in the future, but will be unable to cancel multiple annual licenses at once, or you will have invested significant resources in a one-time installation of a key point solution.

SCALE

Many larger organizations find they are only able to begin an onboarding project in one line of business, or for a limited set of products. This is at times the most practical approach. However, over time, your processes will inevitably have to scale across lines of business or across product offerings. It is difficult to scale up (or down) when working with too many disparate systems.

RECOMMENDATION

Combining existing technology is a suitable option for firms that already have many of the necessary technology components in place, do not foresee having to scale across additional lines of business or product offerings, and are satisfied with their current level of visibility and control.

When those conditions are met, you can have a relatively cost-efficient onboarding solution that realizes value much more quickly than an internal build. However, our recommendation is to take an even easier approach, one that has been proven in many organizations similar to yours.
Partnering with an onboarding automation software provider is the most effective way to improve the onboarding process. An onboarding vendor understands the complexity of unique business environments; they’ve already overcome the roadblocks that will be encountered and have enhanced the solution after years of industry expertise and client input. For example, Agreement Express has been building, testing, and continually iterating on our enterprise onboarding software for 15+ years. We add further value by establishing partnerships with other key technology vendors to provide a robust partner ecosystem that automates onboarding and aspects of the compliance process. In short, it would take years of heavy resourcing and an investment of millions to recreate the offering.

In a report on Build vs. Buy Decision-Making Framework, PwC argues that the number one reason to buy, rather than build internally, is if you are dealing with a highly “unattractive” process. In their framework, unattractive includes any process that is hard to replicate, difficult to find expertise in, and involves a highly regulated industry or process. Using the PwC framework, Wealth Management firms would be better served by procuring onboarding software, rather than building internally.

HOLLISWEALTH CASE STUDY

HollisWealth, a Wealth Management firm with advisors distributed across the country, needed to solve the operational problem of having a paper and fax-based account opening process. With advisors and assistants faxing and mailing client documents, application error rates were high, and the operational cost of opening each new account was even higher. They adopted the Agreement Express onboarding platform, and after integrating by API with their system of record, eliminated all manual data entry, dramatically reducing operational costs and time to open a new account.

They needed a robust solution that would unify advisors, New Account Opening, Compliance, Transfers, and more. One year after starting the project, they had already reduced administrative costs by 50%, and reduced application error rates down to less than 5%. When you need to see results quickly, implementing an existing onboarding automation platform is the most effective solution.
In your search for the best onboarding vendor to partner with, we recommend looking into specific results with existing clients such as:

- Near elimination of application errors achieved through real-time error checking and data validation
- Near elimination of all data entry through data re-use and external data capture and verification
- Minimum of 50% reduction in back-office costs
- Minimum of 50% reduction in advisor administrative work
- Reduction of New Account Opening time to 1-2 days or less (varies by organization – depending on start point)
- Visibility into metadata to drive process optimization and to feed product/portfolio insights
- Implementation time of 3 weeks or less achieved through Agile activation methodology
- Ability to scale platform quickly and easily across lines of business and product offerings, without re-engineering or expensive services bills from the software vendor
- Improved, digital client experience coupled with automated back office onboarding management
- Improved employee experience and productivity, along with control and detailed insight into every application

This decision criteria helps you weed out traditional BPM-oriented vendors who may have succeeded in major software implementations, but will not be able to help your firm achieve an end-to-end digital transformation of the client lifecycle.
RECOMMENDATION

There are two main considerations for firms assessing their need for an onboarding automation platform.

1. Do our business goals call for an onboarding process improvement?
2. Do we have the budget for an annual enterprise license?

If the answer is yes to both, then licensing an onboarding platform is always the most effective option, above building custom software, and above combining existing technology for a new purpose.

TECHNOLOGY-ENABLED TRANSFORMATION

There’s a lot at stake when spearheading an overhaul of your client onboarding process. When executed properly, it can result in unprecedented levels of visibility and control, while enhancing the client experience. We’ve seen key leaders take initiative and successfully leverage technology to bring a client onboarding vision to life. These change agents have often seen their own careers elevated, due to the value they have demonstrated to the business. On the other hand, we’ve also heard about others taking on a project that was bigger than anticipated and ended up wasting valuable time and resources, only to be shown the door after failing to produce meaningful results.

The Build vs Buy decision is too critical to be left to hunch or speculation. If your organization does the work of building a thorough understanding of the need, the business requirements, and alignment with a forward-thinking strategy, the right solution will become apparent.

Meaningful digital transformation is entirely possible with the right vision and technology. We’ve enabled countless financial institutions of all sizes to offer a white-glove digital experience for their clients, while becoming significantly better equipped to deal with the competitive and regulatory pressures of the industry.
YOUR ONBOARDING PARTNER

Agreement Express is the leading client onboarding platform for the financial services industry. We help Wealth Management firms achieve total digital transformation in their client onboarding and compliance processes.

Still have questions after reading this guide? We’re here to help as your onboarding automation partners.

SEE HOW HOLLISWEALTH REDUCED THEIR ADMINISTRATIVE COSTS BY 50% AND ENHANCED THE CLIENT-ADVISOR EXPERIENCE.

Contact one of our onboarding experts at sales@agreementexpress.com or visit us online at agreementexpress.com.