The Future Direction of Digital Investing

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Although digital investing is not scaling as quickly as many anticipated, customer awareness and consideration has clearly moved toward digital.

Today, about 30-35% of searches for investment products go through digital channels rather than through family and friends, word-of-mouth and other sources. To catch the shift to digital, Investment firms need to build up their digital marketing capabilities and capture their clients' attention and consideration at the start of their investment journeys.

One question might be raised, why digital investing?
Digital investing brings investments closer to the people, making them simpler and easily understandable. That should come with greater transparency, while bundled or structured investment products in the past have been characterized by opacity and hidden costs.
Transparency doesn't mean full disclosure of any single technical or legal detail of a financial instrument, but rather the investor's right to be informed clearly and efficiently about:

- Cost of a financial solution (including inducements)
- Level of risk (information about the maximum potential loss, liquidity and diversification)
- Suitability for different investors

Such transparency can only be achieved by regulators in the first place.

Most digital investment services today seem to be a legacy of the previous non-digital services. Artificial intelligence and a smart use of data will certainly add a lot in this space, but there is a lot that can be improved today, with basic digital services, a decent portfolio management system, and some marketing expertise. Digital trading will give advisors better insight into investment products. A number of custodians are now offering advisors the ability to create portfolio recommendations digitally without the time and expense of consulting with an expert.

A few attributes that should characterize modern investment solutions are:

- Financial planning tools
- Continuous monitoring of risk

- Projection of investment behaviour and adherence to a financial plan
- Personalisation of cash-flows and coupons distribution
- Differentiation of the solution according to age and life priorities
- Nudging and behavioural finance features
- Personalised alerts

The first thing to do, in order to design modern investment solutions is to make a step back from the logic of pure financial products and start focusing on investors' needs.
When it comes to developing financial product or services, no matter how complex they are, it is crucial to understand why certain features are developed. That "why" will get you to the actual benefits to offer to your consumer base. It's the thing that will connect customers to your financial solution.

If you want to simplify the saving cycle as much as possible, it is possible to focus on just two basic investment needs:

- Accumulation of saving for the working age
- Destocking of wealth into annuities (Income)

Then you need to translate such generic saving needs in the context of contemporary society. In fact, the global crisis and the advent of the digital era completely reshaped our perception of money and the way we use it. The defining attributes of money and wealth in the digital era are mobility and flexibility.
Surprisingly enough, very few financial institutions are considering that in building their digital investment offer.

Most financial institutions seem to target the youngest generation, but they focus on the way the young use money and debt, which is of course digital, and not on why they use money, and what for. This creates some disconnect. It is how we live our daily lives that affects the way we perceive and use our money.
When developing financial products, banks should work to create features that respond to their customer's needs. However, most everyday investors and customers don't buy product features, they buy the benefits such features involve.

To make a step forward you would need to convert benefits of financial products into emotions. Financial products are not fun, but useful, and financial product features can be translated to benefits that are compelling to customers. If you manage to convert those benefits into emotions, even boring financial products will be able to engage end-users.
Unfortunately, investments are difficult to visualize, difficult to explain, and difficult to stir up emotions. But even if they are unlikely to get viral as a concept, I believe that it can become much more engaging than they are right now.
With technology being the backbone of the financial markets, especially financial intermediaries, firms will continue to spend on developing their communications and technology infrastructure. In the near-term, increased competition along with emergence of high frequency trading, is expected to be the key drivers for investments in technology.

We believe digital engagement will continue to gain importance in financial instruments, and the prospect and client and experience is already becoming one of the industry's most strong strategic weapons. That means that the race to deliver the best digital client (and prospect) experience will become even more competitive.