RETIREMENT PLAN PROVIDERS: TRENDS IN SOLUTIONS SOURCING, MOBILITY AND DATA INTEGRATION

Financial Services Perspective

What's the best way to leverage our data integration services to support new customers? Can mobile technology better equip us to help consumers protect their financial future? Should we outsource all or part of plan onboarding?

North Highland recently held a roundtable discussion with leaders of six major retirement plan providers for a candid talk about these top-of-mind industry trends. Together, we dissected these challenges and identified where leaders are heading. The conversation presents insights for any company challenged to react to advancements in technology, changes in customer expectations and the need for greater operational efficiency.

SOLUTION SOURCING: COST SAVINGS VS CLIENT RESPONSIBILITY

Most industries have good reasons to outsource or offshore certain processes. It can free up businesses to focus on what they do best – improve efficiency, help deliver more services and save money. Retirement plan providers need to keep a close eye on costs, as well as what's best for the business and its customers. We were curious to identify the industry's current take on outsourcing, given the unstable economy.

Our roundtable discussion participants reported that while offshoring has been almost synonymous with outsourcing over the past 10 years, that is beginning to change. U.S. firms are starting to build solid business cases – including tax advantages, reduced labor costs and overall good will – for keeping the jobs in America. This is particularly true in certain rural areas where we're seeing concentrated pockets of high-caliber talent coupled with business tax credits.

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Participants told us that when working with contractors outside North America, they have to be cautious about whether such arrangements might impact key contractual issues, particularly when supporting government plans or large-market service agreements. "It's not just about money saved," one participant told us. "Working with vendors in other parts of the world requires extra vigilance and attention to relevant regulations." As a result, that firm relegates offshoring efforts to non-client-facing functions such as conversions and other data-driven processes. Another participant noted that they typically outsource de-conversions because, "It doesn't make sense to bog down internal resources for plans going out the door."

Looking at processes to be outsourced, as well as data integration services, we noticed a cautious trend toward automation that doesn't reflect attachment to manual processes as much as it reflects dependence on the people performing those processes. In many cases, non-standard services are being performed by team members who've been with the firm for 20 to 30 years, who know what they're doing and don't make mistakes. Automating such people out of their position can cause anxiety, but so can the retirement of those team members. North Highland's extensive experience helping clients update and automate outdated manual processes has taught us that the critical success factor lies in identifying which process elements can and should be automated, and where the intelligent, human element must remain essential.

EVERYONE'S TALKING ABOUT MOBILE, BUT WHAT SHOULD WE DO WITH IT?

It doesn't take much observation to recognize that mobility is cool. Everyone from your boss to your grandmother has a smartphone, a tablet or both. And whether you're on iOS, Android, BlackBerry®or Windows® Phone, there's an app for just about anything you can imagine. But we wanted to know how the industry views mobile technology as an element of the retirement planning process.

They told us that most 401(k) investors are not clamoring for real-time access to account balances, history, performance or buy/sell features. Nor should plan providers be rushing to provide such advanced mobile services. As one participant asked, "Are we really at a point where we want people walking down the street with an iPhone transferring money, or making serious financial decisions?"

None-the-less, statistics show that more individuals have access to mobile technology compared to traditional computers. We believe moving to mobile transaction capabilities is on the horizon for the retirement industry.
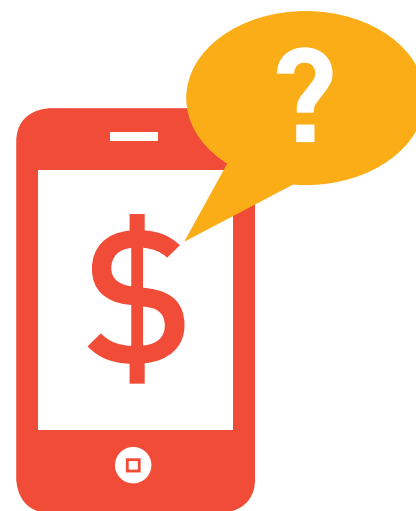
Firms are already using tablets to deliver presentations in the field, which makes one-on-one and small group presentations feel less formal, more personal and more engaging. A member of the discussion referenced a firm that provides iPads to everyone in enrollment and education meetings so those attending can take immediate actions on their plans, increase their elections or change their investment selections. "They saw higher participant contribution rates and better diversification; it was hugely successful for them."

In addition to mobile access, the gradual move away from paper-based processes toward more electronic communications is clear, with many providers working to encourage customers to adopt e-statements and e-communications. Even so, several participants urged caution before insisting on a completely paperless approach, because a significant portion of their end-users would still prefer to use paper. As a result, even as they explore and pursue mobility and e-access, they're also investing in barcode as well as scan and index technologies so the handling of that paper is as fast, efficient and accurate as possible.

We also noted the potential to leverage a controlled form of social networking that allows people to share experiences and/or get a quick pulse on what kinds of retirement decisions others like them have made. Everyone in the discussion concurred that while these capabilities clearly have potential for the future, they would have to be carefully moderated to ensure appropriate levels of privacy and regulatory compliance.

MOVING TOWARD A DATA STANDARD

With mandatory fee disclosure firmly in place and the increasingly competitive marketplace, the stage is set for continued high-volume of plan conversions. Fee disclosure will not cause more conversions, but a competitive market will. Given that onboarding is a client's first experience with a new provider, data integration sets the tone for the entire relationship: A difficult transition could sour a budding relationship while a stellar experience just might solidify the connection and make the sponsor less eager to move the plan in the future. In our work with many of the top retirement plan providers, we noticed a growing need for the use of data scrubbing tools and processes to ensure the client's data is transitioned accurately and completely. And we wondered if that might indicate an interest among plan providers to advocate for an industry data standard.

Roundtable participants told us that the lack of an industry standard can be frustrating, time consuming and expensive. However, they also pointed out that a plan provider's ability to accept data – in whatever format the client

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provides – can be a differentiator that demonstrates their client service commitment, and is a necessary investment in the account that can save time, money and frustration later. "A comprehensive transition and data scrubbing process can highlight problems the company investing in the plan might not know they have," explained one participant. "When we identify these issues, we add value."

Looking ahead, we don't envision a universal data standard, but do expect to see a move toward a common data standard within a company's institutional and retail businesses. A uniform data set will reduce headaches and staff time, and will enable better integration across all plan provider services, making it much easier to sell-in ancillary services such as payroll management. Beyond standardization across internal business units, we see plan providers wrestling with the questions of whether and how much data should be based in the cloud, and who owns and controls that data. While basing data integration processes in the cloud doesn't make sense, the ability to extract more meaningful insights from big data does. Right now, retirement plan data management is largely about ensuring accuracy and security. However, data mining technologies have the potential to shape new products and services that are customized for individual consumers.

KEY TAKEAWAYS

Our retirement plan roundtable discussion included multiple, nuanced viewpoints from a variety of sources. However, it was very clear that firms seeking to gain the greatest benefit from their data integration, mobility and solution sourcing strategies can achieve success by taking the following steps:

1 Identify where automation and outsourcing – in-country or offshore – can deliver results.
The cost savings that can be achieved by outsourcing and/or automating certain business processes can be real, dramatic and compelling. But remember that the human element of your processes is just as important. Since outsourcing can carry risks, all financial services firms, including retirement providers, can benefit from examining all of their processes – regardless of whether they are currently outsourced or not – to determine how to make them as effective, efficient and profitable as possible.

2 Pursue mobile technologies cautiously
– but don't fall behind on new capabilities and trends. In many ways, mobile solutions for retirement plan providers are in the same place where Websites were a little over a decade ago – of interest and growing, but not yet essential. However, our experience with mobility technology in other industries tells us that retirement providers should keep a close watch on this evolving technology to determine how it can be harnessed to serve them going forward.

3 Strengthen, reinforce and streamline data integration capabilities.
As long as an industry data standard doesn't exist, firms that do the hard work up front to bullet proof their data integration capabilities – either through process, technology or both – will be repaid with their client's trust. And trust, of course, paves the way for both cross-sell opportunities and long-term loyalty.

As you pursue these key courses of action, we'd like to talk to you. Look to us for perspectives; rely on our experience and expertise as you move your plans forward. We listen closely to our clients to better understand the dynamics of each client's company and industry so that together, we can improve their business. This retirement plan provider roundtable was one way we could deepen our understanding of the clients we serve.

ABOUT NORTH HIGHLAND

North Highland is a global management consulting firm that delivers unique value, relevant big ideas and strategic business capabilities to clients around the world. The firm solves complex business problems for clients in multiple industries through an integrated approach and offers specialty services via its Data and Analytics, Managed Services, and Sparks Grove divisions. North Highland is an employee-owned firm that has been named as a "Best Firm to Work For" every year since 2007 by Consulting Magazine. The firm is a member of Cordence Worldwide (**www.cordenceworldwide.com**), a global management consulting alliance. For more information, visit **northhighland.com** and connect with us on **LinkedIn**, **Twitter** and **Facebook.**

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