
Advisors must distinguish themselves from robots: Cerulli

By Editorial Staff Fri, Apr 15, 2016

'As the 'robo' threat stirs conversations about the cost of advice, it is more important than ever for advisors to articulate their value,' said the latest edition of The Cerulli Edge - Advisor Edition.

Success in any business, it is often said, requires establishing a well-defined value proposition. This truism is especially important for financial advisors as they face competition from (and pressure to adopt some of the techniques of) automated or semi-automated advisory services.

"Defining and communicating a value proposition may be increasingly important as conversations about low-cost digital advice offerings gain awareness among mainstream investors," said Kenton Shirk, associate director at Cerulli, in a release. "As the 'robo' threat stirs conversations about the cost of advice, it is more important than ever for advisors to articulate their value."

"Advisors who take the time to define their practice's value proposition often feel more confidence and conviction when communicating that message," Shirk added. "This confidence, in turn, injects more passion and enthusiasm into conversations with prospects, making the message more compelling."

These findings and others can be found in the 2Q 2016 issue of ***The Cerulli Edge - Advisor Edition***, which examines business development and the value of strategic alliances and advisor events.

Cerulli surveyed advisors and found that they believe a "warm and personal image" is one of the biggest reasons prospects and clients choose to work with them. It was the second most common reason (out of 15 reasons), after "financial planning approach."

"High-touch service" was the fifth most common reason.

Only 11% of advisors overall (6% of independent advisors and 14% of employee advisors) said that clients work with them because of "low cost." That suggests that advisors don't believe that the low-cost advantage enjoyed by robo-advisors will have a big impact on whether clients choose to work with them.

Nonetheless, the Cerulli report said, "As the 'robo' threat stirs conversations about the cost

of advice, it is more important than ever for advisors to articulate their value.”

As for competition between advisors and robo-advice, Cerulli’s data showed that their markets overlap in some areas but not in others. Among advisors who said they practice “niche marketing,” the most common target niches were “business owners” and “women.” If “women” in this case primarily refers to “widows,” the data doesn’t suggest much direct competition between human and robo advisors.

On the contrary, segments of the mass-affluent or upper-middle class—engineers, professors, tech professionals, government employees and teachers—are rarely targeted by either independent or broker-dealer advisors.

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