MANAGING YOUR PRACTICE: A DIMENSIONAL PODCAST SERIES

Why Leveraging Technology in Your Advisory Firm Has Never Been More Important

Catherine Williams: Hi everyone, and thank you for joining us today. We are going to focus on technology, that ever-present dynamic tool and sometimes challenge in so many of the businesses that we work with. And there has never been more opportunity and options around technology than there is currently in the advisor industry.

In our consulting with clients, it's really rare to come across a firm that's lacking core technology. They've got a pretty good core tech stack, as we often say, but we absolutely often see a lack of strategy, integration and true innovation happening around that.

So that's really what we're going to focus our time today. And joining me for this discussion is an industry leading innovator himself who focuses on helping business owners and organizations develop their tech strategy and deploy it in a way that ultimately supports their overall growth and client experience strategy.

Doug Fritz is the co-founder and CEO of F2 Strategy. A long time CTO. Doug and his wife, Liz, founded F2 Strategy specifically to help businesses tackle their technology and innovation strategy. So we have now used the word strategy multiple times already, so you hopefully are getting a really strong flavor of what we're going to talk about today, because that's really ultimately where it starts. Doug also created the Wealth Tech Executive Forum, and that this is a forum that is comprised of over 70 top CTOs and COOs.

So he has more than a front row seat on what businesses are not only thinking about today, but should be thinking about in the future. Doug, it is great to have you with us. Thank you.

Doug Fritz: Oh, thank you for having me.

Catherine Williams: So for those who may not be familiar with F2 Strategy, let's just I'd love to start there in terms of hearing a little bit about how the business came to be and what your key areas of focus are as you do think about the business in the way you engage with your clients.

Doug Fritz: Awesome. Yeah, thank you. So it's I always I always sort of chuckle and say it's a very easy business to explain, you know, two aspects. One. Everybody in 2022, every wealth manager in 2022 needs to be thinking about their technology. I think you know, five years ago, almost six years ago now when I started the firm, that sounded a little bit outlandish. It doesn't sound outlandish anymore. Thank you, COVID. But no, I think every firm does. Large firms, the very, very large buyer, wirehouses, private banks, national and global brands have armies of technologists and strategists and CRM and digital people and reporting people and things. But the bread and butter of the wealth management industry in the United States, are the other smaller, independent RIAs, rep OSJs, smaller broker dealers, that don't necessarily have a CRM person or digital person or a reporting person. So there's this gap, right? And so I'm a former CTO.

CTO at first Republic, and then I ran the Wells Fargo Private Bank's Advisor Technology, including the private bank and the alternate worth app accounting team. And so I work with a lot of management consulting firms and hired a lot of these folks. And noticed two things coming together. One, there are a lot of firms in the industry that need help.

They need expertise. They need someone who knows this stuff. Knows the wealth management space and knows technology and don't have them in-house today. And the existing suite of management consulting resources are really more generalists than experts. They're good at strategy. They're not necessarily great at deciphering which aggregation software is going to work for their private equity holdings, because they're not just, a fund of funds business, they have a lot of very independent bespoke LP relationships, so those kinds of nuances are not there.

And so we said well we could do that, right? We could get a bunch of former CTOs and former wealth execs together and create a consulting firm to help those firms that don't have them. And that is basically F2.

Catherine Williams: So with that, what are some common let's call them blind spots that businesses or business owners—sometimes it's the owners themselves versus perhaps other areas of the organization—that you often see as you step into these businesses and start examining what's really going on with their technology landscape.

Doug Fritz: Yeah.

There are blind spots. There are things that no one's thinking about. And then there are also things that they might just not be thinking about exactly the right way.

And I'd say that the second one first, and the one that that we see people realizing is important but not necessarily giving as much credit to, is thinking about -- and we're going to use the "s-word," the strategy word, just one more time in this in this podcast. But it's strategy in its purest sense, which is what's the plan? What do we need to be focusing on if I'm going to invest a dollar in my technology this year in 2022, where's the best allocation of that dollar?

And what ends up happening, that's not necessarily a blind spot, because I think that people maybe don't think about it the right way is there's a lot of great salespeople in the industry. There's a lot of great buzz. I would say CRM has more than its share of buzz around you know, you need one, you need one.

But no one really has a strategy as to what they want their CRMs to do. And maybe the blind spot or the piece that people get wrong is they go into technology projects thinking that if I write a check, my problems will go away.

And I can just get a Salesforce. I can just get a Microsoft Dynamics or a, you know, a Tamarack CRM. It's going to solve my problems for me. And it's almost never the case. And the reason why is that very few people start their technology journeys with a with a pretty simple question.

I'll tell you, it is not an easy question to answer.

Which is why do people work with us as a firm, right?

This is the exact same question that Merrill Lynch and Morgan Stanley need to answer. As well as an independent rep with $50 million in client assets needs to answer. Why do people work with me? And what we see in large and small firms is that avoidance of that question leads to several things. One, it dilutes sort of how you think about and promote yourself to the industry. So you just kind of look like an advisor.

Like you, you're just the bodega on the corner shop.

Someone looks up who's an advisor locally, and you just luckily happened to get someone's Google search finding you close, that's a terrible way to get clients. Or they're spreading all their money around in terms of technology and investment and trying to be everything to everybody. And there's no way any firm today can be everything to everybody.

And so they dilute the power, the impact of their technology and the decisions that they make.

And so that simple question of who are we to our clients and why do they pick us? And maybe more importantly, why are they still with us? Is a really critical one.

At F2, we lead every engagement we do with clients with that simple question. Sometimes it takes us months to get a good answer. And sometimes it takes a client survey of spending time with your clients on a survey, which we do. And we find those answers out.

And when you know that. Like, Hey, we've worked with this firm because they were the most credentialed experts on trust and estate law in the state of Colorado. Right? Maybe, right? And when you know that, you're like, huh?

So from a marketing standpoint, if people are coming to me because of that, can I increase my marketing budget, and this is going to sound like I'm stepping outside of technology, but in 2022, I count everything as technology, right? It's not just the ones and the zeroes.

But can I now use that to market myself? Can I use that information on my reporting? Can use that information tracking progress on client relationships, so that we're emphasizing that – at F2, we call it our moat, right? It’s the moat of the firm. What is the defensible barrier between us and our competitors? And can we use technology and strategy and change and process, and maybe a little bit of cultural nudging here and there to expand that moat for our clients.

So when we see people do that, their businesses grow a lot. And I would, last, I would add, is just that know you look at the fantastic firms that I have huge amounts of respect for, like Advice Period or Carson or United Capital. They are personality firms, clearly. But they are also firms very, very clear about why an advisor and an advisor’s clients are going to pick working with them. And boy, they invested a ton of money in being really, really good at that like one or two things that are going to make them different.

Catherine Williams: I love that question as much for what it is and as you said, what it begins to get to for advisors that are willing to candidly ask that question of why do people work with us, but also for what it's not.

You're not asking, who do we want to work with? Right? You're not asking what is it that we want to do for clients, you ultimately get to those things, but starting with that true, “Why do people ultimately work with us?” I think it's a really powerful question that that makes a ton of sense. I love that. And so when you think about and you know, we will count in the transcript, how many times we do use the word strategy, but I think, you know, as consultants, I mean, this is ultimately where we began.

But absolutely, I think you and I both agree that, you know, you don't want to hang out there. You've got to figure out your strategy and then ultimately start taking action around that. So, you know, you've said in the past or maybe even just yesterday that with very rare exceptions, advisor technology itself is mostly commoditized. So what are firms that are truly leveraging and optimizing technology doing that you see that takes them out of, hey, they look and feel and use technology like everybody else and really begin to differentiate themselves.

Doug Fritz: I'm trying to stay from the geeky answers. I'm trying to stay in the cool kid club because…

Catherine Williams: It's Dimensional. You can totally geek out. We like this.

Doug Fritz: It's actually true. You know, there are two answers. There are many, many answers. But the two I'm going to pick on are data, which is the geeky, nerdy one. So don't, if you're on the podcast and you're hitting the pause button, don't leave yet, we have a cool one, too. But data is one, and then the other one is what we call journey mapping, which is really the derivation of that previous question of like, who are we? And so I'll go with the boring, nerdy one first and I'll keep people on the podcast because they're going to hear a cool one.

But no, data -- and maybe it's not as geeky as I make it sound, but data is, oh man, we could not get any of our clients really materially to engage with us on the concept of data. I felt like the person crying fire before the fire in the movie theater. Right? Like, hey, this is actually going to happen. And then COVID hit.

And what we found, we found several things, in the last 24 months is a sea change. And presidents of wealth firms, founders of wealth firms and their operations and executive leadership have turned their heads dramatically in the last two years towards data. And what we find is that data is the ore in the ground. It is the oil, it is the gas. It is the coal upon which every business over the next 10 to 20 years -- and I will stake my career and my firm's reputation on this one.

Every firm is going to need access to their data. Unfettered, not hindered by a vendor or any outside entity. They're going to need access to their data to be able to use the technologies that are on their way. Every, A.I., machine learning, virtual reality, cool thing everybody sees on Twitter and on LinkedIn. Every single one of those suckers, as cool as they look, requires you to feed it really good data. And the number of wealth firms, I'm talking just like even large wealth firms, even like the 100 billion dollar plus firms that have, I would argue, a really good handle on our data, it's like in the single digits. And so there's this tsunami coming. Sounded like this again, but there's a tsunami coming of new technology and client expectations and members of the industry that are that are going to own this space because they've been doing their data work already. That when the time comes like 2022, all the kids are going to get Apple VR headsets for Christmas. And you know what's coming on the Apple VR headset? There's going to be an Amazon virtual store and there's going to be a Fidelity—I know that Fidelity already has the app for this—a Fidelity financial planning app in three dimensions that you can navigate.

And then all of these are the firms are going to be sitting there flatfooted saying, wait how do I use this? Oh, wait, I got to get my data, and that's a five-year or four-year process to get my data organized. Like, I'm kind of screwed. And I don't want to sound like the people that were saying robo-advisors are going to take over the industry because data is not going to be that disruptive, but it's work that people are going to have to do.

So that's it. And the other thing I say, it makes it a little bit clearer for people, I think, is that everybody wants to drive a fast car. Right? And I just think of technology as the fast car and people look at, like the Carson Group or they look at, you know, Advice Period, or, United Capital or some of our clients are showing that same vein and they'll see their technology's really good and it's fast and it's marketable. They're talking about it publicly and that's the fast car. And what they don't see is that those fast cars are running on good data architecture. They've done the data work. They've paved the road and now they can deploy new technology quickly because they have the data to do it. And most folks want a fast car but don't really want to fund the road. And you can imagine the analogy of a fast car running on an Indiana pothole farm road. That's just not fun for anybody.

And it breaks and it goes slow. And people wonder why they don't have a fast car. So that that's the other analogy I make on data in terms of investing in it.

So back to the cool kids club thing. Around journey mapping--journey mapping is the other one, which is you know, I think when you know who you need to be your clients, you know what they are here for and why you're different. You can start to work on something which we call journey mapping. And that's just taking a myopic approach to the interplay between a client, or prospect. Lot of times this comes for prospects and clients, and your firm, and look at all those experiences in a microscope to see where they can be improved and to reinforce your brand, reinforce if it's a prospect, reinforce micro commitments to a sale or to engaging with you, or if it's a client, reinforce all those moments where there's an opportunity to dazzle and delight with really not a lot of extra effort but just doing things consistently across all clients. Where your opportunity for referral and opportunity for continued delight and NPS ("net promoter score") increase is there.

And in firms that do that phenomenally well you create that level of cultural adherence and just dazzling-ness in the experience that drives affinity and growth and cross-sell if you're a bank or, you know, referrals into your brand. And it can be done so that that's the cool kid version.

Catherine Williams: And can we give ourselves permission to no longer categorize or maybe the better way to put this is to make assumptions about how our clients want to engage with us via technology based on their age. Like this whole generational piece that you know, I just hear a lot.

That's an often a reason why firms. Well, hey, you know, our client, our average age client is, you know, 60 something. So we're just really not going to go down that path. But my mom uses some technology better than I do.

So I don't know what you can push back on that. But I just feel like to your point, we've got to move a little further down the road if we really want to be a part of that cool kids club ultimately.

Doug Fritz: Right. To me, this goes back to

2017. The CFA Institute did a study in 2017 still available today. I'm sure it's been replicated several times and actually we replicated this with our client surveys to our clients. Is that looking at the age brackets, right? Every decade, so the under 40 club, and the 40, 50 and 60, etc.

This is 2017. Right? This is forever ago in technology land. The CFA study asked questions of the clients of advisors and the advisors themselves, and they ask many questions. But the one that absolutely jumped off the page to me was they asked clients, especially the older demographic, 50, 60, 70 plus, how important is a robust, comprehensive digital experience, the overall value proposition of your advisory relationship? Right. And so the answers from that group was somewhere on the order of like 40% said yes, that's an incredibly critical piece of the puzzle. They asked the advisors of the same group, how important do you think clients of this demographic, and it was like low double digits. It was off by like half. So to me, it was an early tell that, whoa, wait a second, there's something going on here and we've got a blind spot in the industry.

And so you're absolutely right. I mean, A) COVID has made everybody moderately digitally literate. Or they are absolutely they've pulled the rock over their head and they're just going to stay under there forever, which is very rare. But you still have that mindset in advisors. I would also, I'm going to quote a friend of mine, Kabeer Sethi, who is head of digital at Merrill.

When we talked to Kabeer about how did Merrill get to be, I would argue the best digital wealth management experience in the world today. And his answer was we stopped talking to advisors exclusively. You didn't like ignore advisors, but they talk to clients. And what clients told them they wanted was significantly different than what advisors told the tech team that they wanted. You go around to most wealth managers even today in early 2022. Where are you going to get insight into your digital experience or your reporting experience or your prospecting experience? It’s advisors. And somehow that still we still hold on to that. We're not talking to our clients about it. And I think unfortunately, we're going to keep coming up with some bad answers for things, well into this decade, until we start turning the corner, asking clients and talking to clients what they actually need.

Catherine Williams: Well, you have hit on something that here within the practice management team at Dimensional, we spend a lot of time talking about, particularly because of our global advisors study and our global investor study, and when we see firms do both of these studies, the global investor study being all about their end clients and asking similar questions, right? How often do you think your clients want to meet with you and then you look at what their clients are actually saying? How do your clients want to meet with you? And so you, you know, you're absolutely reinforce a lot of the areas that we see differences and they have, you know, there's a very visceral reaction, even with advisors when we sit down and sort of put those results side by side. One question in particular from our 2021 study was around this idea of, you know, do you believe that your heirs will continue to work with X Advisor?

And you can imagine advisors have a perspective around that. And then many of them saw a very different response from their clients. We also saw in the global investor study in 2021, we're going to geek out a little bit more here because we are Dimensional and we love our data, we had and for which we had nearly 14,000 participants in the global investor study last year. So really fantastic group of end clients. In 2018 2019, this question of comfort level with virtual meetings -- you know this, you've touched on this already -- it's about 8%. Not probably may, may or may not been surprising at that point. It's 93% now, like clients, obviously, just as we've all had to adjust, clients have had to adapt. What I find equally interesting is that nearly a quarter of the clients who responded indicated that they actually only want to meet virtually, and it's about two and a half times a year.

So I share all that with our listeners too, you know, and hopefully, you know, it absolutely reinforces what you're saying. You've got to ask your clients, don't make assumptions and recognize that just as you've pivoted, we've all pivoted.

Clients have. And quite honestly, I think clients have quite successfully in many ways, too, but they are very, they're being very clear in their communication with you. And I would say as an advisor, you need to have multiple different ways for your clients to engage with you.

That's certainly something we're getting from the studies that we're running.

Doug Fritz: You know, in 25 years in the industry, only one other time, so the advent of the internet, maybe, have I seen such a rapid change in the way that we want to engage with clients and how we want to engage with clients. You know, the funny answer is, you know, digital meetings, digital signature. Don't make me take a pen and paper out. Don't make me come into your office to sign something, please. Because what, you know what maybe two years ago was mildly annoying for some people, you know, and this is clearly not everybody has the same level of control.

A lot of clients have high levels of concern about COVID. Like it could kill you to come in and do it like it literally was annoying before, but it could literally, there's some people they're so afraid of this that it could kill them in the COVID era. And so I think, you know, people's just readiness to jump on a video and how normal this feels to us. You know, F2 is a company, 23 employees, entirely virtual. Like, there are several employees that I've had for six months that I've never even physically met yet. And that's not unusual. We have advisory clients that have advisors they haven't actually met in person. So same thing for clients in a lot of cases. That's not going to go away. I think that's going to stick with us for a very, very long time.

Catherine Williams: Sticking with client experience for just one more moment here, technology specifically in the area of engaging with clients around behavioral health, financial health, not, you know, financial planning, you know, talk about a pivotal moment in the industry, right?

This shift away from, you know, leading with asset management more focused towards financial planning. I think that's absolutely been in play now for quite some time. So I'm almost thinking of like, you know, 3.0 and many an area that we're here beginning to, well, not beginning, we have been hearing from a number of advisors who work with us, is this area around really investing with clients around their overall behavioral health associated with their financial health. All of that. Are you seeing anything on the technology side that's starting to get to that a little bit?

Doug Fritz: A little bit, nowhere near as much as I want to see, I think one of the bad things may be that to the position that that we're in at F2 is that because we see all the technology, and I end up being a judge for all the awards then like the national and global awards, like I have a demo and see everything, I don't see as much cool new stuff out there that's going to bridge the gap between behavioral and the data around behavioral and then correlate it to the actual portfolio. There's still this chasm between the planning process and the portfolio construction process at almost every firm that we work in. And the plan is this, if they plan at all, is moderately an accommodation. Where they plan, and then it's this piece of paper and we feel great about ourselves. We feel great about our advisor. And then the thing the expiration date on that plan starts ticking. The moment I leave that meeting and you know, personally as an investor, this has been my experience a bit. Is it just kind of goes away. And then it's no longer I feel good that I had a plan and I remember that I'm going to be OK. But it never has any sort of meaning. But I get my portfolio statement, I get my performance report, I get my holding statement and I don't really doesn't engage anymore.

And I think that the reason for that and we go back 26 years in the industry, I would say as early as the late 2000s, I guess we call them the late aughts now, right? There was great analysis about financial planning and how much stickier and referable clients were that had a financial plan. And Morgan Stanley and at the time, Wells Fargo, where I was, significantly promoted advising to plan. Like, you've got to plan with clients. Here's planning tools, go plan. And no one planned. Really, it didn't change how people behaved, and I think that maybe under everything that we're talking about are two things. One, compensation. For larger firms. Do we pay people to plan? Typically, we don't. We pay people to win new business and to maintain relationships. Typically, the comp structure in most firms is that way. They're not paying you to plan.

You can tell an adviser, “but if you plan, you'll have longer term clients,” and it just doesn't, it’s not as resonant as how much we pay them to bring in a new client. We pay them a lot more to bring in new clients than to keep long-term clients by planning with them. And if you're planning, you're not really selling as much, you're kind of engaging with existing clients and it does dull your business development. It can. And the other one is the technology side, right, that a lot of the tools that that are out there don't, aren't really set up to deliver a continual client experience.

And so I think that's a problem. The future is still bright, I think, and I don’t want to be like a naysayer. What I think and this is I'm a bit of an ESG geek, you know? The ESG component, I think, is the way we kind of bridge that gap. There's an impact component we don't currently talk about in financial planning land. We do the financial plan. Can you achieve your outcomes? Yeah, I can retire when I want to retire, my kids can go to college. I'm good. But there's another layer coming around impact that no one's really correlated yet. And I want to see like Money Guy Pro and E-money bring in. They've already started to talk about doing this a bit, bringing in an impact lens. OK, you’re going to achieve your goals, but you can achieve your goals in a way that is actually societally environmentally aligned with your ethos. And I like that, and the neat thing about the ESG side is that the ESG side kind of goes up and goes down frequently and people can kind of pay attention to it. And so I'm hoping -- this is Doug bunny ears quotes -- hoping the industry will move in the direction that he says. It almost never happens this way, but I can hope, that that impact and ESG starts to bridge the gap between relevant data and companies are invested in and gets people that are planful, engaging more with their clients through the portfolio construction process.

Catherine Williams: And making that connection. That's awesome. So before a client becomes a client, they’re a prospect, and I'd love to ask you a couple of questions around, you know, certainly over the last 24 months, what you're seeing, even maybe even asking, are there some things that firms to just stop doing?

But more so what are areas that you see firms that have, are really leveraging technology to fill their pipeline, close business and continue to grow, you know, even over the last 24 months, anything unique that you're seeing there?

Doug Fritz: This is an area where the investment in digital really starts to have a like a monetary payoff. At F2, we can always talk about how much cooler you'd be if you had certain tools or certain experiences. But when we start talking about revenue, every prospect or client of ours, their ears perk up like, huh? Well, tell me about that. And we want to know about how we can use technology to grow. And one of the ways that we've seen significant numbers increase and there are two numbers here. One is prospect throughput, like how many people found me, maybe organically or through a search engine optimization, SEO, like when someone says wealth management, the company's name pops up, to go to the prospect site and engages a little bit then converts to a client. And there's a several hops there and I'll make it as complicated as we can here.

But it's how rapidly and how reliably can you get someone from interest and just hearing your brand for the first time, to engaging and digital design and how you, you work with your digital, whether it's you're using e-money or you're using your custodian’s portal. Whether you're using an outside portal like Invest Cloud. How you designed that to bring people forward, really is that journey map portion that I talked about earlier. And so using -- we refer to it as micro commitments. That sounds very, I live in Silicon Valley so it kind of makes sense -- I would say silly things like that, but it’s micro commitments of saying, hey, click here and you get something back right? And there are some design ethos around making sure that when we ask for something from a prospect you're giving them a delightful experience all the way. You're leading them into more and more delightful experiences.

Not to be a total Merrill fanboy here, but I would argue that the reason why Merrill is so good is that Merrill has built a prospect process. People find Merrill. They can go and they can actually start to see what it looks like to be a Merrill client by going onto the website. They can add a little bit of information. All the way they're going through that process, Merrill is tracking them, they're tracking their access to their data. And by the time like you get to, "I want to do business with you," Merrill has already basically pre certified you. There's not this long KYC ("know your customer") process that's involved there, and they've been able to reduce prospect attrition and throughput from the prospect into clients by double digit numbers. And that last little bit is one that I doubt anybody on this podcast even thought about, prospect attrition. How many people say they'll do business with you and then don't? And we're trying to do some studies in 2022 at F2 about this. The map behind this.

Anecdotally, it's about it's in the low double digits that people are, a client says they'll work with you and they don't. But the digital experience and having that prospect portal reduces that significance. They are kind of using that portal. There are some tools like robo advisors and Personal Capital that people use all the time in this kind of a way. And there's a well-worn path for folks to follow in building out prospect portal and prospect to client experience journey maps now.

Catherine Williams: And I remember even, you know, during my time with the Carson organization, there was such a keen focus on not only gating or giving something in exchange for a little bit of information, but as importantly making sure that that prospect never had to enter that information again. Right? Like they put it in one time and it went all the way through the system as opposed to, oh, we're going to ask for your name again, your birth date again, you know, whatever it might be. I think that's a that connective tissue was something that is, as you said, you know, these folks that are getting it done have really figured that out.

Doug Fritz: You're right, that Carson is a great example, right? And that is a, you think about those in the journey map process, right?

Where did a client give me this information before? And most client experiences are designed by different groups in the firm, so your compliance group never really thinks about what your middle office and your portfolio teams, your portfolio admins and assistants are sort of initially gathering that prospect information. They usually don't talk to one another.

I'm not making a plug for hiring consultants. This is something that any firm can do on their own. You can. It's a bit of a, you know, counterintuitive for the consulting guy to say you don't always need a consultant here, but you really don't. You just need to be thinking about it in a different way.

But journey mapping will tell you, the client gave me their current Morgan Stanley statement at meeting two and now I'm going to get ready to do that KYC and the onboarding and I'm going to ask them for it again. It's the same damn statement they gave me a month ago. Why on Earth would I ask for it again? I'm literally creating a negative experience in the mind of those clients by unintentionally showing them how unorganized and how data, you know, data ignorant we are as a firm. And you're spot on. And it's just a focus on the client experience. It's a focus on how does someone perceive me along that journey?

Catherine Williams: Somewhat related to that, we often talk, we see this in our in our studies. I mentioned putting sort of that global advisors study, global investor study side by side with so many of the firms we work with and the resulting what we often refer to as the client referral gap, we see a significant appetite, a huge NPS ("net promotor score"), right, in our global investors study. Not surprising to us, but huge appetite to refer. We also see pretty decent numbers on the clients who say I made a referral and you could probably very quickly guess how they made that referral, because when we then pivot over and look at how much did the advisor actually grow through referral business? We get a gap, right? We see a gap there. And that, of course, opens up a lot of conversations. But to your point, if you're really measuring that, if you're really thinking carefully about at what point do they opt out? Now, they may have never really opted in because it was such a passive referral in the first place. Let's tackle that on a different day and probably a different podcast. But if that happens, if there is a purposeful referral, really thinking about, you know, what is the technology experience that that prospect has and is there, you know, how do you measure whether they opt out of that process along the way as well? We think that there's a that could be contributing a little bit to that referral gap that we do see in in the study in the advisors we work with. So it's a good point.

Doug Fritz: We do ask a very similar question. Our client NPS, our investor NPS service for our clients and that the classic NPS question, if anybody on the podcast doesn't know is, would you refer us? This is industry agnostic. Like, would you? And we always sort of take that as that they would if they said they would. But when you ask the question, the subsequent question, well, did you actually? And if you did, why and to whom and how? And what we found, actually, it's this is a little bit of a tail end of the podcast sort of a nugget is that men, we've seen this across all of our client sentiment tracking, like every firm has the same issue I haven't seen this written about anywhere. And this is a bit of novelty here for our listeners. But the men typically have a lower NPS for their advisor, right, typically.

But they've actually referred at a higher rate. And so that's like, yeah, I'll give you a six, but I'll refer you to everybody. Which is like, but why did you give me a six?

And women typically have a higher NPS and don't refer as much. And there's this like double digit, sometimes like 25 percent gap between women who say they would and don't versus men who said they really wouldn't and do. And that's just such an opportunity, I think, for people to think about that, like why and how could you get women who really, really engage with your brand to take that engagement, that affinity and make it an actual thing? I think that this just goes back to some of the more sort of, we're a very male centric industry and we think about it like a bunch of men, and that's probably why. And hopefully our clients that are working on that in 2022 are going to start showing some serious results too.

Catherine Williams: Yeah, I love that, and I think there is, I mean, talk about an opportunity, right? If you, you know, really start focusing in around that and we know through our Women and Wealth initiative that this area of how to grow, how to drive referrals, how to really think carefully about your business and specifically for the female clients. We should be doing something about that number, there's certainly an opportunity there. I would say for sure. So we've talked a lot about clients and prospective clients. When we think about technology and the strategy within our organizations, whether we have one employee or 1,000 employees, certainly, technology is incredibly -- It's necessary, it's informative, it's impactful in these organizations, and so I'd love to talk a little bit about our people and how we establish technology within a business that ultimately serves those people. And quite honestly, I would say, even attracts that kind of talent that you want to have within your business.

Tell me a little bit about what you're seeing in the way of the use of technology, maybe even the change around technology for the last 24 months that has really made an impact with the firms that you see are truly optimizing tech in this area.

Doug Fritz: I honestly, I wish I had a great answer for that one. I really wish I had some like, "Oh, I'll tell you what we see that's really great." I don't see any trend yet. I haven't spotted a trend that says firms that are really crushing it are hiring these types of people. I think part of it's because adoption of technology, or let's just call it like plasticity to change, I can change the tools that I'm using. I can get my clients to understand those changes versus not, doesn't yet appear to me to be a generational or an age thing. It would be a great if I could point to and say, well, younger advisors are all great at technology. It's just not the case. We've got some phenomenal clients that have older, you know, standard 50s and 60s, like your middle of the road age demographic on your advisor teams, that are crushing it with technology. And they just have adopted it and they've been OK with it. It doesn't seem to be old versus young. I don't really see that at all.

I feel like I should just say, well, hire people that are comfortable with technology. The problem with that is that sometimes people who are comfortable with technology aren't comfortable with getting the organization to use technology. They're comfortable with themselves using technology, which means that they're this little island and they've got their little tools and they're working the way that they want to, which from an information security standpoint and from a just collaboration and working standpoint is actually counterproductive. Because if Advisor B is over the island using her own planning tools and her own reporting tools and her own spreadsheets and stuff, it's really hard to make an organization wide, that mode expansion concept we had earlier like, it's hard to get that to be a cultural change. You start to erode your firm's culture because you actually have different micro cultures, and it becomes really hard to stitch those things together down the road.

So I feel like I should answer that way, but I've seen it happen quite to the counter.

And it's to be cautioned.

Catherine Williams: So how might a firm overcome that? Someone listening today is like, Oh my goodness, Doug just described our organization and maybe add to that question. However, I am not a billion-plus size firm. I don't have a ton of resources or feel that my business is super complex, but I do have this in play in my organization.

So what would you say would be one or two immediate steps they could take to start changing or overcoming?

Doug Fritz: Oh yeah. As a father of two little kids, I'm always a growth mindset. Like not I'm not a billion-dollar firm yet. I've got to say that yet. It's growth mindset. These kids, these days? No. But I think it literally doesn't matter. The most critical question about how to get started and how to do a good job with technology and just make good decisions, right? We always talk about different aspects. Really, all this is just make good decisions. Just start making good decisions, then everything else kind of starts to fall in place. I think that the making the decisions piece starts with really fundamentally understanding where technology has a place for you as a firm. And then the subsequent like, OK, what do we do about it? That changes based upon your size. Like Merrill Lynch is not going to go buy some financial planning tools or accounting tool off the shelf. They're going to build it and staff it and run it and like to optimize it themselves because they can.

But, you know, $100 million, $150 million rep team is going to have a very different set of tools to use to be better. If you don't know what you you're using technology for, like, good luck, right? Everything's going to look like a shiny object and then everything's going to look like a squeaky wheel and everything's going to look like a pain point and you're just going to be pulling your hair out. And then you just going to say, you know, forget it, technology is too hard. But when you know what planning is, or its portfolio construction or it's generational wealth transfer or if its tax optimization and sort of tax prep, whatever it is that you're really going to be great at.

Boy, you should be spending as much of your time promoting that thing and improving that thing so that your moat just keeps getting bigger. If you’re a smaller firm that could mean, you know, calling up Cetera and saying, hey, I'd like to know who is doing this thing the best, and I'd like to talk to them, to actually reach out. That's what that tech board, that's the tech executive where we pull that together at F2, just to get other CTOs in the same room. But anybody can do that. Just reach out to your peers, find out what they're doing. There are a lot of tools that your custodian is rolling out that you may not know about and it’s sort of stunning how little some of the existing custodial reps, or even like software reps, like if you’re an Orion shop, how much you know about what Orion actually does is largely dependent upon the quality of the relationship management you’ve got.

In some cases, you think that that person's telling you everything but they're not.

You can actually go find out there are other tools you can use that are just as easy and free to you that you just didn't know existed. But I wouldn't go to any of those conversations, like if you go into those conversations with Orion or LPL or Raymond James, and go in like “Show me what's new and cool and hip,” like, you will get crushed. Don't do that. And so don’t confuse what I just said with that. Know what you're great at, know what you need to be great at and go into those conversations saying, I need to talk to whoever you know, at Cetera, can show me the best way to prospect with the tools we've got. Because that’s what I'm going to focus on more than anything, or I want to talk to the folks that have integrated Money Guy Pro in the most optimal way.

Like know what you want. If you go in looking for shiny objects, you're going to see a bunch of shiny objects. That is universal truth.

Catherine Williams: I think that is excellent advice. And for the advisors who work with Dimensional, we make available what we call our Tech Pulse survey, and we also have we will also have a dedicated tech module. You did not know this, but thank you for teeing this up for our conversation.

For 2022, it was part of our Global Advisors study, we will have a refreshed technology module. Because as everything we've talked about today, this continues to be such an area of focus and it's no longer a question of do I need technology? Do I need a good strategy? It's more of, you know, how do I go about getting it or if I feel good about it today, what's the next iteration of it? How do I stay in front of it?

And with that in mind, and with that, I will say Doug, thank you so much for your time today. Great perspective, and I think you've given all of us some really tangible action items that we can take no matter the size or complexity of our business today.

So thank you for that. It's been great to have you.

Doug Fritz: Well, thank you for having me. This is a lot of fun. I really appreciate it.

Catherine Williams: I will encourage those listening to definitely find Doug on LinkedIn. You can find Doug and his team at F2Strategy.com as well. And if you'd like more information about Dimensional and how we work with advisors and investment professionals, check us out at Dimensional.com.

And with that, we will see you next time.