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Investors Don't Understand The Importance Of Online Advice Tools

eBusiness Executives Need To Promote Their Benefits

This is the third document in the "Online Advice Tools" series.

by **Alyson Clarke**

with Benjamin Ensor and Lauriane Camus

EXECUTIVE SUMMARY

With many financial services firms looking to build online advice tools, it's important to understand consumer appetite for them. To help eBusiness professionals, we asked online investors in seven European countries which online investment tools or features they consider important — and which ones they currently use. When it comes to online retirement and investment planning advice tools, it is clear that consumers don't understand their value. eBusiness executives need to build *effective* online advice tools and show people how the tools can help them achieve their financial goals.

EUROPEAN INVESTORS DON'T SEE THE IMPORTANCE OF ONLINE ADVICE TOOLS

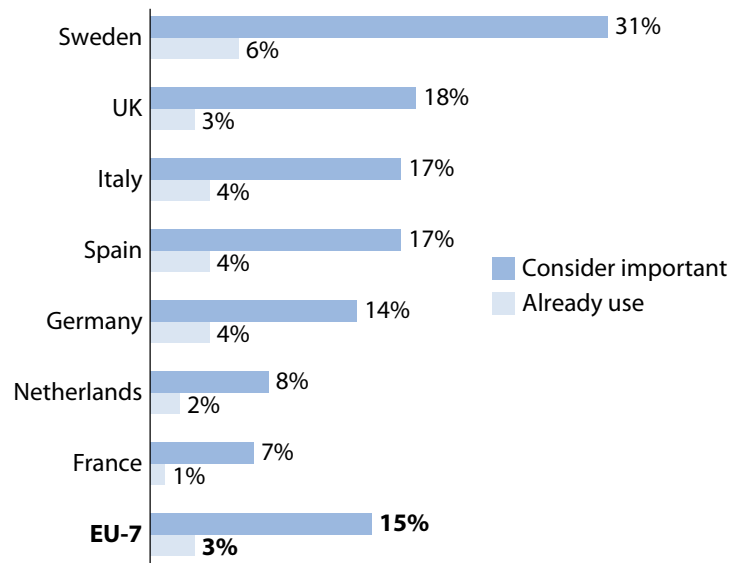
Financial services companies across Europe are looking for ways to build effective online tools, both to lower the overall cost of providing financial advice and to guide online customers through the maze of financial jargon and complicated financial products.¹ To help eBusiness executives understand the demand for online advice tools, we surveyed 4,787 online investors across seven European countries about the online investment tools and features of the companies they currently invest with.² So, do people really want tools to help them with retirement and investment planning (see Figure 1)?

- **Only one in seven investors considers planning tools important.** Sadly, only 15% of European online investors think retirement and investment planning tools are important to help them better understand their investments. Swedish investors have the strongest demand for online advice tools (31%) — the complexity of the country's pension system is, no doubt, a key contributor. Of concern, however, is the low interest across Europe, considering that financial products baffle most consumers, more than half are worried about retirement, and few currently rely on any form of expert advice.³ This lack of interest may be a reflection of their confidence in how useful online advice tools might be, due to poor experiences using financial services sites.⁴
- **More than 20% of high-net-worth investors are interested.** Wealthier investors are more likely to consider advice tools important than those with fewer household assets. Almost one-quarter of European investors with more than €400,000 think online advice tools would give them better insight into their investments. The greater interest by high-net-worth investors is likely driven by the complexity of their affairs and exposure to a wider range of financial products.

Figure 1 European Investors Don't Think Online Advice Tools Are Important

1-1 Few investors use retirement and investment planning tools

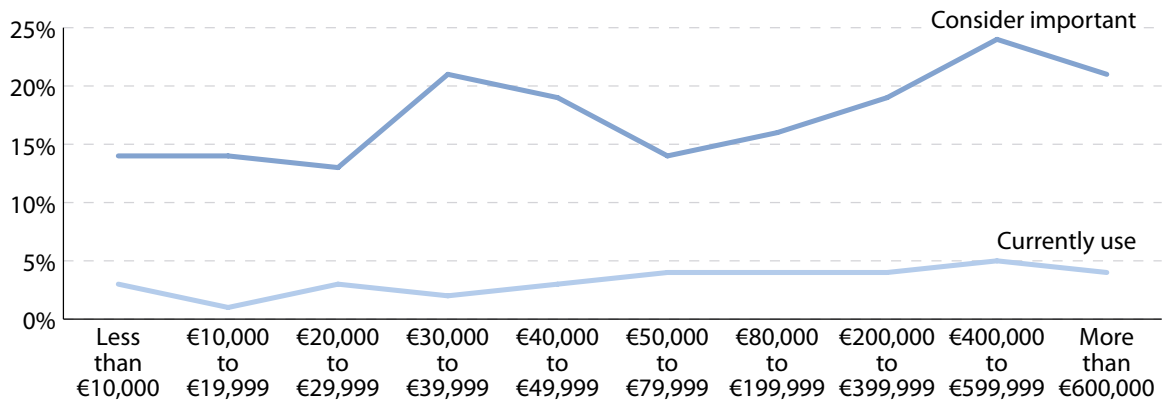
"Do you consider online retirement or investment tools important?" and "Do you already use them?"*



Base: European Net users who have more than €5,000 in investments

1-2 More than 20% of high-net-worth investors consider online advice tools important

"Do you consider online retirement or investment tools important?" and "Do you already use them?"*



Base: European Net users who have more than €5,000 in investments

Source: European Technographics® Online Financial Services Survey, Q4 2007

*Full survey questions: "Thinking about the Web sites of the companies you currently invest with, which of the following online investment tools or features would you consider important to have a better insight into your investments?" and "And which of the following online investment tools or features do you already use?"

- **But less than 5% currently use them.** Few Europeans are currently using online planning tools, regardless of what country they are from or their level of household assets. This lack of use is a direct reflection of the fact that to date, most financial services firms have only focused on basic, often product-related tools, such as savings calculators and product selectors.

RECOMMENDATIONS

INVESTORS NEED TO KNOW THAT ONLINE ADVICE CAN HELP THEM

To date, European Net users haven't had a great experience with retirement and investment planning tools. In fact, the overall customer experience on many European financial services sites has also been lackluster. As many firms do not even offer online advice tools, investors have little idea of the benefits such tools could bring and no confidence that they will help at all. To improve the confidence that people have in their Web sites and online tools, eBusiness professionals need to:

- **Design an effective online advice tool.** Whether executives choose to buy or build their online advice tool, they must take a disciplined approach to the design. To get it right, executives must avoid buying or building another standalone Web tool, understand the human advice process, focus on the needs of target customers, and get usability right.⁵
- **Market the benefits to help people understand their importance.** As few European consumers rely on any form of expert advice, most consumers don't understand how advice tools might make a difference to their financial situation. eBusiness executives need to promote their online advice tools and educate consumers about their benefits.

ENDNOTES

¹ Many firms failed in their first attempt to provide online advice in the early 2000s, but the online channel has now matured. More people are using the Internet to make financial decisions, new technologies like rich Internet applications (RIAs) can improve the experience, and the complexity of human-computer interaction is more widely understood. See the March 17, 2008, "[How To Build An Effective Online Advice Tool](#)" report.

² The data used here is from Forrester's European Technographics® Online Financial Services Survey, Q4 2007, which surveyed 14,345 Net users in seven markets: France, Germany, Italy, the Netherlands, Spain, Sweden, and the UK. This survey is based on adult Net users age 16 years and older who are members of the online panel of Ipsos. Ipsos weighted the data by age, sex, and online frequency to represent demographically the adult European online population per country. The data has additionally been weighted on online banking. Ipsos fielded the survey in November 2007 and motivated respondents with various incentives. The questions about investment tools were only asked of Net users who said that they had more than €5,000 in investments such as savings accounts, shares, funds, or bonds. Please note that respondents who take part in online surveys often have more experience with the Internet and feel more

comfortable transacting online. The data is weighted to be representative of the total online population on the weighting targets mentioned, but this sample bias may produce results that differ from Forrester's benchmark surveys.

- ³ Consumers aren't getting the advice they desperately need. The sheer complexity of products and taxation systems leaves most people struggling to understand how to manage their finances and achieve their financial goals. See the February 7, 2008, "[Why Financial Company Web Sites Need Online Advice Tools](#)" report.
- ⁴ Forrester reviewed the user experience on the sites of the UK's five largest retail banks and six large banks in Continental Europe. Of the big banks in the UK, only Lloyds TSB passed our test. And in Continental Europe, only Nordea offered a satisfactory experience. See the September 6, 2006, "[Evaluating UK Banks' Online Sales Efforts](#)" report and see the December 26, 2006, "[Reviewing Continental European Banks' Sales Sites](#)" report.
- ⁵ When building an online advice tool, executives need to incorporate eight essential ingredients: 1) ensure that the experience is quick and easy; 2) ask needs-based, not product-focused, questions; 3) allow customers to "test-drive;" 4) educate users and help them understand the tradeoffs; 5) provide clear, simple, and actionable advice; 6) give clients control over the next steps; 7) fully integrate with customer databases and human advice channels; and 8) encourage customers to update their details and regularly review advice. See the March 17, 2008, "[How To Build An Effective Online Advice Tool](#)" report.