



IFA Internet Survey: Beliefs, Attitudes and Behaviour

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Summary

This report presents the findings of a survey of IFA beliefs, attitudes and behaviour towards using the internet for pensions. 692 usable questionnaires were returned from a survey of 5000 IFAs, the key findings of which are summarised below:

- **Internet Presence** – IFA access to the internet is very good and over half the IFAs surveyed either have a website or are currently developing one, a small proportion plan to develop one in the future. Around half the sample conducts some business online, although in small proportions. This is unlikely to be via the website as very small proportions indicated the transaction capability of their website. The main use of the IFA websites appears to be for company advertising or product information. The reasons for developing a website seem to be strategically guided, but at the same time appear to be influenced by the general hype surrounding the internet.
- **Attitudes Towards the Internet** – In general the internal support and organisational compatibility seems to be good. Use of the internet appears to be consistent with the way IFAs deal with providers, but less consistent in terms of the IFA-client interface. While most feel that using the internet is not too complex or risky, there do appear to be regulation and compliance issues that stand in the way. Opinion is divided as to whether IFAs possess the necessary skills and financial resources to develop an online capability, suggesting possible segmentation issues.
- **Using the Internet for Pensions** – The majority surveyed do not conduct pension sales or servicing online. For those that do use the internet and email, the majority of use is after sales in servicing the ongoing relationship and the greatest use is made with providers and existing clients, especially corporate clients, with much less use made with new clients. Use of the internet has been influenced most by providers' use of the internet. Client use of the internet, the introduction of Stakeholder pensions, and Unipass have all had much less influence on IFA use of the internet for pensions.
- **Impact of the Internet on Pensions** – Key structural, geographical and process impacts can be identified:
 - **Structural impacts:** There appears to be limited impact of disintermediation (IFAs being cut out of the supply chain). Few IFAs feel that they have lost business as a result of clients dealing direct with providers or that their position in the supply chain has been weakened. This also seems to pose a minimal threat into the future.
 - **Geographical impacts:** There has been a widening of the geographical landscape as IFAs have access to wider research materials. This is expected to continue into the future. In terms of marketplace geography, few IFAs so far have experienced diversification. Few also believe that the internet will allow this into the future. The impacts felt are mainly on the existing client base rather than the generation of new clients, new business or wider geographical spread.
 - **Process impacts:** Some efficiencies seem to be gained from using the internet for pensions. There has been some replacement of traditional methods, mainly higher up the supply chain relating to the IFA-Provider interface. There is evidence that some added value is being provided, particularly in cases where end-to-end electronic processing is being realised, for existing clients and in the B2B rather than B2C context. Finally, there have been some shifts in responsibility. Use of the internet has resulted in some shifts in administration and business processing from providers to IFAs. The upside of this seems to be that the more involved the IFA is with the technology, the lower the threat of disintermediation as a result of the IFA becoming more embedded in the supply chain.

IFA Internet Survey: Beliefs, Attitudes and Behaviour

Background

This study forms part of a larger programme of research, the aim of which is to assess the potential of the internet to make a real difference to pensions in the UK. The research is independent and is being conducted at The University of Edinburgh School of Management over a 30-month period, from March 2003 – August 2005, and is funded by the Economic and Social Research Council.

Pension provision in the UK is acknowledged to be an area of growing concern. The Government's plan to alter the balance of pension provision from the present 60:40 (state:private) to 40:60, the introduction of a simplified pension product 'Stakeholder' in April 2001, and the Sandler and Pickering reports provided the impetus for the research.

Increased use of the internet and electronic processing is perceived to offer key benefits to industry and consumers. Yet, to what extent can the internet facilitate and promote pension distribution? Who will benefit and how? What impact has the internet had already on the structure, geography and processes of pension provision? What is the potential for further change?

By investigating the beliefs, attitudes and behaviours of four key groups – pension providers, IFAs, corporate clients and individual clients – the research will address these key questions.

Research Objectives

The research reported here represents the beliefs, attitudes and behaviour of Independent Financial Advisers (IFAs) towards the use of the internet for pensions. The following research objectives were identified for this study:

- To assess current internet presence among IFAs;
- To explore attitudes towards the internet in general;
- To assess the extent of internet use and web facilities for pension business;
- To investigate the impact of the internet already experienced on pension business and explore beliefs of future impacts.

Method and Sample

Following in-depth interviews with 20 IFAs of varying company size and in a variety of UK locations, a 6-page questionnaire was designed and piloted. The final questionnaire was mailed to a random sample of 5000 IFAs with pension business, stratified by size of company. The sample was purchased from a commercial database. Questionnaires were distributed in June 2004, with a follow-up in July 2004. An incentive of 5 x £50 Marks and Spencer vouchers was offered to respondents electing to enter the prize draw.

692 usable questionnaires were returned, representing a 14% response rate.

The characteristics of the firms and individuals who responded to the survey are as follows:

Characteristics of Responding Firms:

- 61% of firms were founded between 1990 and 2003.
- 45% are limited companies; 20% are partnerships; 33% are sole traders; 10% belong to a network.
- 47% employ only 1 financial adviser, a further 20% employ 2 financial advisers, 12% employ 3 advisers.
- 90% have turnovers of less than £1million; 9% have turnovers of between £1-£5 million; 1% have turnovers of over £5 million.
- Majority of companies have less than 3000 clients, 35% report between 101 and 500 clients.
- Majority of firms have only 1 outlet (84%); 9% have 2 outlets; 7% have 3 or more outlets.
- 87% of companies generate some fee-based income; for most (67%) it does not represent more than 25% of total income; only 3% generate all their income from fees.
- Half of the sample generate around 90% of their business from individual clients; half the sample generate 10% of their business from corporate clients.

Characteristics of Responding Individuals:

- 37% are either Chairman, CEO or Managing Director; 33% are Principal/Sole Trader; 14% are Partners.
- 90% are male.
- Half the sample are aged 50 years or older; 80% are over the age of 40.

Key Findings of the Research

Internet Presence

- 99% of the sample have access to the internet.
- 43% have a website, 12% currently are developing a website and 45% do not have a website. In total, just over half the sample has a web presence.
- For those with a website already, 50% have had a website between 1 and 3 years, 44% have had a website for at least 4 years, since the start of the Millennium. 6% have had a website for less than 1 year. The maximum length of time reported was 10 years.
- Of the 45% (308) who do not have a website at present, 25% report plans to develop a website and 75% do not plan to develop a website.
- In terms of how products are represented on the website, Table 1 shows that relatively small proportions overall provide clients with the opportunity to either apply for or buy a product online. In most cases, the website either does not feature the product or it is featured in terms of product information only.
- Of those who have a website, only a small minority of 16% of companies actually know how many visits the website received within the last month. The number of visits recorded ranged from under 100 per month to over 45,000. The majority recorded under 500 visits per month.
- Just over half the sample (51%) conduct some business online, of these the majority conducts no more than a quarter of their business online.

Table 1: How products are represented on IFA websites (expressed as %)

Product	Not on website	Clients can obtain product information	Clients can make an application online	Clients can purchase online
Individual pensions	42.4	55.3	0.8	1.6
Group pension plans	58.2	40.9	0.4	0.4
Stakeholder pensions	44.8	53.2	0.4	1.6
Cash ISAs	52.9	43.3	1.3	2.5
Stocks and Shares ISAs	41.6	47.2	2.8	8.4
Annuities	53.3	45.9	0.4	0.4
Mortgages	50.0	45.1	3.3	1.6
Investment funds	44.0	49.2	1.6	5.2
General insurance	61.7	29.1	1.7	7.4

- Table 2 shows the relative importance of a number of factors influencing the development of the website, ranked by mean (average) and mode (most frequently recorded response). Key important influences appear to have been the strategic decisions made by the company, the influence of a key person within the company and someone who took the lead in website development. These influences would all seem to suggest that, in the majority of cases, website development was carefully planned and managed internally. This is further supported by the lack of importance attached to people outside the company, including the influence of website developers and the availability of software, suggesting also that the development was not a response to external opportunities.

Surprisingly, the lack of influence from external forces also seems to extend to competitors, providers and clients in that large proportions of companies indicated the influence of these not to be important to their website development. One key external force seems to have been the internet boom in general, perhaps revealing a ‘halo’ effect: that development was not as strategically planned as respondents might like to report, but there has been an element of ‘me-too’ development.

Table 2: Influences on the initial development of the website

Influence	Mean	Mode
Strategic decisions made by my company	3.39	5
The influence of a key person within my company	3.06	4
A specific person within my company who took the lead in website development	2.96	4
The internet boom in general	3.18	3
Individual clients expected us to have a website	2.90	3
Developments by product providers	2.71	3
Corporate clients expected us to have a website	2.79	1
Website development services were offered by an outside company	2.75	1
Competitors were launching websites	2.58	1
Software became available that we could use	2.31	1
My company was spending money on computers	2.24	1
The influence of a key person outside my company	2.04	1

Based on a 5-point scale ranging from 1=Not at all important to 5=Very important

- Of the 99% of companies that have access to the internet, 58% use at least one internet fund supermarket and 77% use at least one IFA web portal. The top internet fund supermarkets used are:

Fidelity funds network (used by 39%), Cofunds (28%) and Skandia Multifunds (22%). The top IFA web Portals used are: The Exchange (Exweb) (used by 43%), Assureweb (Sesame) (17%) and IFA Engine (Bankhall) (8%).

Attitudes Towards the Internet

- In terms of general attitudes towards the internet, the internal support and organisational compatibility seems to be very good. Almost three-quarters of the sample agree that there is senior management support for the internet, use of the internet is consistent with the business strategy, the technology set-up of the organisation, and the way IFAs deal with providers. There appears to be less consistency with the way IFAs deal with clients – many noted in the interviews that this is a face-to-face relationship business. Half the sample report that change is required in the way both clients and providers deal with IFAs in order to make full use of the internet.

Around half the sample does not feel that using the internet to conduct business is complex, neither does it pose a serious security risk. However, a similar proportion feel that current regulation and compliance poses difficulties. Opinion seems to be divided as to whether IFAs feel they have access to the necessary skills and possess the necessary financial resources to develop an online capability.

Table 3: Attitudes towards the internet (expressed as %)

Attitude Statement	Agree	Neutral	Disagree
Senior management supports internet development in my company	71.6	19.6	8.8
Use of the internet is consistent with my company's current business strategy	73.8	16.8	9.4
Use of the internet is consistent with the way my company deals with its clients	48.5	33.1	18.4
Use of the internet is consistent with the way my company deals with product providers	74.3	17.7	8.0
For my company to make full use of the internet clients need to change the way they deal with us	52.1	26.9	21.0
For my company to make full use of the internet providers need to change the way they deal with us	58.8	29.2	12.0
My company does not have the necessary financial resources to develop its online capability	33.0	31.2	35.8
My company does not have the necessary skills to develop its online capability	37.9	25.7	36.3
Use of the internet is consistent with my company's current technology set up	70.5	19.5	10.0
Using the internet to conduct business is too complex	22.7	26.3	50.9
Current regulation and compliance makes it difficult to conduct business online	48.9	25.6	25.5
Security issues make the internet too risky to use for my company	18.1	40.5	41.3
Using the internet opens my company up to potential litigation	21.2	46.1	32.7
There are clear benefits for my company in using the internet	73.5	18	8.4

Using the Internet for Pensions

- 96% of companies in the sample conduct individual/private pension business; 58% conduct corporate pension business.
- The majority does not conduct pension sales (63%) or servicing (68%) online, although 27% and 23% respectively report it is increasing.
- In terms of how much the internet (and email) is being used at different stages of the buying process, 27% report using it at the advice stage, 47% at the application stage, 35% for executing a transaction and 64% for servicing the ongoing relationship. For all stages of the buying process, the majority is using the internet and email no more than a quarter of the time.
- In terms of how the internet and email has replaced traditional methods of dealing with providers and clients, the biggest impact has been on the IFA-provider relationship where 68% report the internet has replaced traditional methods. The next biggest impact has been on the relationship with existing clients: 53% and 57% respectively report it has replaced traditional methods of dealing with existing individual and corporate clients, compared with 42% and 47% respectively for new individual and corporate clients. In the majority of cases, the impact relates to no more than a quarter of the time, except for dealing with providers where the impact is up to half the time.

IFA-Provider Interface

- IFAs were asked whether each of the facilities shown in Table 4 are available from the pension providers they deal with, and whether they make use of them. To a certain degree this captures the IFA's perception of what is offered, since some of them indicated that they were not completely aware of what was available. Despite this, in most cases, it would appear that there is good provision of the various facilities: with the exception of the ability to download software, between half to three-quarters of providers apparently make the remaining facilities available to IFAs. However, use made by IFAs varies. The facilities used support existing client relationships far more than new client transactions and also relate more to accessing historic data rather than updating or modifying details – where this occurs, there seems to be a preference for offline rather than online changes.

Table 4: Online facilities offered by pension providers (expressed as %)

Facility	Available from Pension Providers	Used by my Company
Setting up a pension online for a client	62.8	25.2
Making AVCs online for a client	20.2	4.1
Access to a client's pension statements	71.9	46.4
Ability to switch funds for a client online	57.4	26.3
Ability to change a client's personal details online	52.7	29.2
Access to pensions calculators/modellers for use on client data	65.3	40.7
Access to forms (for online completion)	69.9	42.3
Access to forms (for offline completion)	75.4	59.1
Ability to download reports	63.7	43.1
Ability to download software	46.5	27.9

IFA-Client Interface

- IFAs who have a website and conduct individual pension business (96% of the sample) were asked whether any of the facilities shown in Table 5 are made available to individual clients either directly from their own IFA website or indirectly via a link to another website (such as a provider website). The provision of facilities to individual clients is very low overall and in the main made indirectly via a link to another website, although no more than 15% of the sample offer facilities in this way. In terms of the provision of facilities directly from the IFA website, they mainly support existing clients rather than new clients, focusing on accessing historical data and making changes to such data, as well as a very limited amount of fund switching.

Table 5: Online facilities offered to individual clients (expressed as %)

Facility	Available Directly	Available Indirectly
Individual clients can set up a new pension online	1.7	11.9
Individual clients can set up AVCs online	1.4	8.5
Individual clients have access to pension statements	4.1	14.3
Individual clients have access to fund switching	5.1	14.0
Individual clients can make changes to personal details	4.8	15.0
Individual clients have access to forms for completion	7.2	11.9
Individual clients have access to pension calculators	13.7	11.9

- The same question was asked of IFAs who have a website and conduct corporate pension business (58% of the sample). Provision of online facilities to corporate clients and scheme members is shown in Table 6. Similarly to the findings for individual clients, provision of online facilities is mostly made indirectly via a link to another website. Yet, the proportion of IFAs who make such facilities available is greater for corporate than for individual clients. Around 20% make the facilities available indirectly, and around 10-15% make facilities available directly from the IFA website to support existing client or scheme member relationships. In common with the individual client facilities, lower use is made for new corporate clients and new scheme members.

Table 6: Online facilities offered to corporate clients (expressed as %)

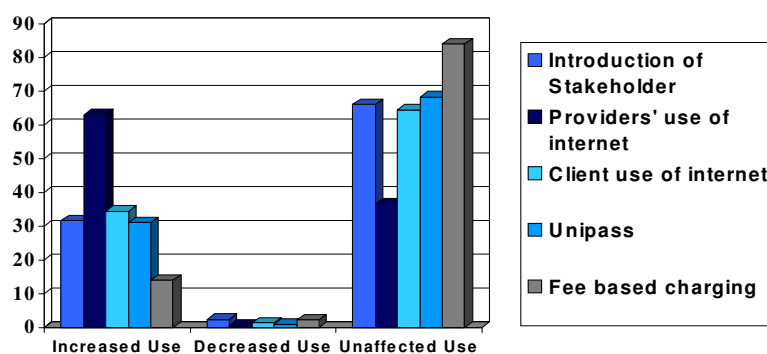
Facility	Available Directly	Available Indirectly
Corporate clients can set up a new scheme online	5.0	20.4
Corporate clients can add/register new members online	11.9	23.4
Corporate clients can make contributions direct from payroll data	15.4	22.4
Scheme members can make sales transaction online	4.5	18.9
Scheme members can service their pension online	10.9	24.9

Factors Influencing Use of the Internet for Pensions

- IFAs were asked the extent to which various factors had influenced their use of the internet for pensions. Figure 1 shows some of the key factors. The greatest influence, in terms of increasing use of the internet for pensions, is providers' use of the internet – over 60% felt that they had increased their use of the internet for pensions as a result of providers using the internet. In terms of the client influence, a little over 30% felt they had been positively influenced by clients. Similar proportions were found for the influence of Unipass and the introduction of Stakeholder pensions. The low

influence of Stakeholder is somewhat surprising, since a number of the interviews suggested that this had been a key impetus for going online.

Figure 1: Factors influencing use of the internet for pensions (expressed as %)



Impact of the Internet on Pensions Business

- IFAs were presented with a list of possible outcomes from using the internet for pensions and were asked to indicate whether they had experienced any of them. Tables 7 and 8 show the greatest and least impacts of the internet reported. Figures are shown for all those in the sample with access to the internet and for those who have a website and are presented in percentages.

The greatest impacts reported are access to research materials and improved service to clients, followed by time-savings. Most of the biggest impacts of the internet on pensions are positive, with the exception of increased involvement in product administration and business processing.

In all cases, larger proportions of IFAs with a website report an impact than those simply with access to the internet. This is perhaps not surprising as those with a website are likely to be more involved and, thus, experience more of the benefits. At the same time, IFAs with a website are more likely to be experiencing a downward shift of administration and business processing from providers.

Table 7: Greatest impact of the internet on pensions (expressed as %)

Top 5 Outcomes Experienced	Proportion Already Experienced	
	All with Internet access	All with Websites
Increase in access to research materials	84	88
Improved service to clients	63	73
Time-savings	55	61
Enhanced my company's image	41	63
Increase in my company's involvement in product administration and business processing	42	50
Increased ability to work away from the office	41	51

- Areas where IFAs feel there has been much less impact include increased sales, increased clients and any increase in the penetration of pensions – around 20% or less have experienced any of these

outcomes from using the internet for pensions. On the positive side, it would appear that only a very small proportion have experienced the impact of any disintermediation – only 10-15% have experienced any reduction in their business as a result of clients dealing direct with providers or experienced any weakening of their position in the supply chain.

Table 8: Least impact of the internet on pensions (expressed as %)

Bottom 5 Outcomes Experienced	Proportion Already Experienced	
	All with Internet access	All with Websites
Increase in sales revenue	17	21
Increase in the number of new clients	15	21
Increased penetration of pensions	14	19
Reduction in business as a result of clients dealing direct with providers	11	12
Increase in sales leads from provider websites	8	11
Weakened position of my company in the supply chain	11	10

- On the question of the likelihood of continued impact of the internet, high proportions believe that the impacts already experienced will continue to prevail (such as access to research materials, improved service to clients etc). Few believe that the internet will enable an increase in either sales or client numbers, or facilitate the simplification of pensions. Few also believe there is any threat of disintermediation (of the IFA being cut out of the supply chain) as a result of the internet. There is also evidence to suggest that those who have not experienced an impact also have the same belief about future impacts.
- Finally, IFAs were asked who they thought should be responsible for ensuring end-to-end electronic processing of pensions becomes a reality. The following table shows the results. Most IFAs feel it should be an individual rather than collective responsibility. Some feel that end-to-end electronic processing is not a desirable outcome. Also, there would seem to be the feeling that responsibility lies within the industry rather than outside, hence the low importance placed on Government and clients.

Table 9: Who should be responsible for realising end-to-end electronic processing?

Person/Body	Rank
Individual companies themselves	1
Provider trade associations	2
IFA trade associations	3
Government	4
Clients/consumers	5

Conclusions

This report presents a robust quantitative picture of current IFA attitudes, beliefs and behaviour, confirming and extending previous research in this area. For example, the results are broadly consistent with those published by Datamonitor in 2003¹ based on 16 questions in a series of 100 interviews. It is clear that whilst almost all IFAs use internet technology, only around half have developed any website capability. The main reason for this digital divide appears to be based on availability of resources and skills.

The survey examined in detail IFA use of the internet to interface both with pension providers and with pension clients (individual and corporate). It was found that IFAs report it is 'provider push' that is driving internet use rather than 'consumer pull'. With regards to the provider interface, IFAs are aware of a wide range of online facilities offered by providers but the facilities adopted support existing client relationships far more than new client transactions and mainly relate to accessing historic data. With regards to the pension client interface, limited internet facilities are available with only slightly more e-functionality offered to corporate clients. One possible explanation might be that IFA experiences of internet technology to date have resulted in them perceiving the internet not as a sales channel but rather as a sales aid in terms of enhancing client perceptions of their research ability and company image. In the interviews conducted among IFAs prior to conducting the survey, it was often mentioned that, due to individual client apathy and lack of understanding, pensions have to be sold and this view of consumers also appears to be constraining any advance of end-to-end processing into the client domain.

The findings presented in this report are mainly descriptive and provide an overview of the survey results. Additional analysis is being conducted to explore any differences among the IFA community and internet use in terms of key company characteristics, attitudes and beliefs to identify whether respondents can be clustered together. The findings are also being examined in the context of theories of technology adoption, to identify key factors promoting or inhibiting adoption of the internet. Details of this work and additional publications based on the findings of the survey can be found by visiting the project webpage or contacting the project team.

¹ Datamonitor (2003), "New Era – Technology and Change in the IFA World".