



The Integration of Online Banking and Brokerages: Interview With Jim Goodwin of Riperian



Riperian specializes in bank-brokerage integration. They help banks build brokerages; they help brokerages add banking services. To do this, they offer services such as business case construction, strategy evaluation frameworks, financial impact forecasting, and implementation management. Many banks with between \$15 billion and \$200 billion in assets have the potential to establish or grow brokerage revenue from their existing online customer base. Riperian focuses on showing them how.

With experience running Bank of America's online brokerage and Fleet Boston's online banking platform, Jim Goodwin, the founder and president of Riperian, provides his customers with fifteen years of innovation and implementation expertise. In earlier years, only the largest banks had enough online banking customers necessary to overcome the cost of integrating self-directed online brokerages into their existing online banking platforms. Now, smaller and smaller banks can make a business case for online brokerage integration. With an understanding only available to somebody with experience in both online banking and online brokerage, Goodwin advises these banks on if and how they should pursue this strategy.

As the cost to deploy has dropped, more banks have wanted to increase their control over their clients' experience. Riperian envisions client interaction through a "client experience control framework," which consists of four levels. The first level is an unconfigured, vendor-supplied client interface—out-of-the-box without modifications. Level two is a configured client interface, where banks choose from a large set of pre-determined choices to ensure their interface fits their business goals, strategy, and brand. Level three is customized, where banks make decisions about the interface beyond the choices the vendor has supplied. Level four is proprietary, and within the bank's control entirely. Many banks operating brokerage (and even banking) platforms are on level one, leaving them unable to control their client experience. New methodologies and technologies now allow these banks to raise the level of control and allow them a chance to provide a targeted customer experience. Riperian supplements the in-house experience of banks to help them sort through the many different strategies and options available to provide the best-fitting client experience possible.

Each bank has a different strategic vision. However, before they can implement their vision, they often must develop core functionalities they currently lack. For example, unless a bank has an existing online brokerage platform, they cannot scale delivery of many retirement asset gathering strategies. Riperian works with senior management to assess what functionalities must exist to enable their bank's strategies, and what steps must be taken in order to create those functionalities.

To Goodwin, integrated wealth management means "that banking clients of a large bank have access to all the investment products that they need, and they can do it in a channel that makes sense for them." Riperian builds no software themselves; "we are outsourced product management people." They work to supplement a bank's existing product management team. If a bank wants to deliver integrated wealth management to their clients, Riperian works to frame their business case, structure their programs, make decisions and negotiate with their vendors, and "land the planes." While Riperian is not a technology company, Goodwin says "we live in the business space that is most adjacent to technology."

When asked what the biggest challenges facing the industry were, Goodwin replied: "the biggest challenge is still competition for customers and assets. There are more players, and the players are in some cases becoming more specialized, which attracts specific segments of customers. And the banks are absolutely starting to take away some share from the larger direct brokerages, and from the wirehouses." Goodwin believes this competition will drive more clarity in the services that are being offered and the prices at which they are being offered.

As far as opportunities, Goodwin thinks "the best opportunities lie in targeted segmentation strategies." While many banks considering online brokerage strategies are regional banks, they may choose to leverage their strengths and target specific demographics, such as small businesses, various pre- and post-retirement segments, or high-net-worth individuals. Opportunity exists in choosing a focus that "will give them a cornerstone to lean on as they build into the business." Except for the few, largest money centers, banks have limited resources to invest in their capabilities. If they spread their money too broadly, they will gain some level of competency in many areas, but in no field will they excel. Therefore, they risk losing

customers, because in each field there will be another company superior to them. However, if they focus on excelling in one or two areas, they will have a selling point for their customers. This also creates a halo effect that will bring customers into their other areas of business. "It's showing them that you have services well enough articulated that you're helping them understand what they were looking for. Even if it's not exactly what they were looking for, they might find that you're a place where they might consider bringing business to, when you weren't even on their radar screen before. So, taking a strategy that's a differentiable strategy, even if it's a small differentiation, goes after a segment that needs that strategy, and it creates a competency declaration and a halo effect."

Goodwin believes that age and income are not the only criteria by which customers can be separated. He advocates "discontinuous segmentation," in which banks play to their strengths by tailoring their offerings to customer segments in which they are already well established. These banks would not choose to target all people between the age of 40 and 60 with incomes between \$150,000 and \$300,000. Instead, if a bank already does a lot of business with students, the retirement community in Florida, or active investors, they should seek to develop capabilities attractive to students, retirees, and active investors, even though the three have little to do with each other.

In the next three to five years, Goodwin sees "more of a demand for actual advice coming from your self-directed customers, and you're going to have to find a way to deliver that advice." While promoting advisory services to self-directed clients often produces poor results, Goodwin predicts a rise in "self-directed customers seeking specific types of advice and being completely open to ways in which they can transact with their provider, including ways that the provider can get paid for delivering the advice."

Conversely, "full-service customers are out there looking for self-directed capabilities. But, they're not necessarily looking for them to be completely separate from their advised accounts. They might want to trade some investments themselves within their advised accounts." While some banks already offer this option, Goodwin believes "not as many of them have as much intent around that as they should. Only a couple of them have actual strategies talking about trading in advised accounts—some of them just turn it on. So, I think we're going to see more of those lines blurring, and those individual services disaggregating, and maybe even available a la carte."

What differentiates Riperian from competitors within its field? "We only work in the bank-brokerage integration space. We strive to be efficient partners to our clients, so we focus only in the area where we know we can help drive clarity and have an impact." For the next year, Riperian intends to focus on adding more structure to the strategic assessment processes it uses with its clients. They are extending their current approach, focusing on specific methods to aid discovery. "We're trying to get to the point where you don't need to go through some extended discovery phase before you can answer questions. You should be able to start talking about tangible programs that you should consider deploying by your second or third conversation with a company—not having to go through all kinds of rigmarole to discover a, b, or c."

Goodwin got his start in 1987, trading options on currencies and interest rates, and built BankBoston's Financial Engineering team in the mid-nineties. That team built fixed income analytics, which were faxed to clients twice a day. Goodwin and his colleagues decided to try to make this information available to their customers over the internet "which was brand new." By 1996, they had built an online system that customers could log into, which provided fixed-income analytics in real time. This innovation sparked a transition from capital markets to retail financial services, online banking, and online brokerages. Since then, he has worked on the cutting edge of the implementation of online banking and brokerage systems. As the number of banks capable of self-directed and online brokerage has risen from a few five years ago to a dozen today, Goodwin only sees more expansion in the field. "In another five years, I think that standard online brokerage and self-directed brokerage capabilities will be ubiquitous in the top fifty banks."

Abstract News © Copyright 2013 INFORMATION, INC.

