TECHNOLOGY

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Death of a Salesman?

Technology has been automating jobs for centuries, starting with the first Industrial Revolution. By the end of the second Industrial Revolution, just a very small percentage of U.S. workers held agricultural jobs, compared to 9 in 10 workers in the early 1800s. Whenever this has happened, just as many other new types of jobs later were created as were eliminated.

More recently, we've seen the demise of many occupations, including telephone operators (replaced by dial-by-name, whitepages.com, and so on), travel agents (due to online services such as travelocity.com), toll booth operators (think EZPass® and other automated systems), and postal workers (since now we likely need fewer due to email and electronic bill pay options).

A new report from the University of Oxford predicts that 47 percent of U.S. employment is at high risk of being automated over the next decade or two.[1] In their research, the authors built a model that assessed the probability that each of more than 700 occupations might be automated. Table 1 lists occupations or functions often seen in the financial services industry.

Many of these areas do seem within the realm of real possibility. For example, we have heard a lot about how predictive analytics hold great promise for reducing the reliance on a human for underwriting decisions. To a large degree, this already has happened in personal lines insurance, and many companies are looking to implement similar technologies for life insurance.

In addition, many home office functions, such as new business processers and billing and payment clerks, also are at risk of being automated. The potential benefits of this type of automation are significantly reduced costs, dramatically reduced processing times, and the elimination of human error.

And consider that the rise of the omnichannel consumer (essentially someone who may want to access your company in a variety of ways) is leading to more and more companies using contact centers not just for service, but for sales as well. However, these centers aren't immune to automation either. Technologies such as machine learning and language recognition are paving the way for less reliance on human call center reps.

Yet the biggest potential disruptor in our industry is the prospect of technology taking the place of agents and advisors. Never, you say? Online financial advisors (also known as "roboadvisors") such as Betterment and Wealthfront have captured the ire of many human advisors. They offer automated investment management online for a fraction of what human advisors charge (in the range of 0.25 percent per year compared to 1 percent or more for traditional advisors).

The release of the University of Oxford paper at this particular time in the industry may seem somewhat out of sync with today's typical assumptions. While the paper predicts a 58 percent chance of personal financial advisors being automated — and a 92 percent chance for insurance sales agents — at the same time many in the industry agree that we need more, not fewer, advisors.

There are three ways to react to the suggestion that the advisor's job could be automated: ignore it, fight it, or adapt.

Table 1

Chance of Automating Select Financial Services Jobs

Occupation	Probability of computerization
Insurance underwriters	99%
Telemarketers	99%
New accounts clerks	99%
Insurance claims and policy processing clerks	98%
Billing and posting clerks	96%
Insurance sales agents	92%
Personal financial advisors	58%

Source: The Future of Employment: How Susceptible Are Jobs to Computerisation?, University of Oxford (2013)

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Ignoring it certainly is an option. So, someone created a model and made some predictions. It doesn't mean the predictions will be realized. After all, programs like Turbotax® didn't eliminate the need for CPAs, as many had predicted.

Some will choose to fight it, especially practitioners themselves or those who have made heavy investments in face-to-face channels. However, we will continue to see new means of doing business that do not require a human advisor.

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To me, the best course of action is to adapt. Financial professionals can modify their practices by leveraging technologies to increase engagement with today's consumers and/or to find efficiencies with some parts of their jobs. They also can focus on providing services (such as estate/tax planning and wealth transfer) that would be difficult to automate.

Rapid shifts in consumer behavior and preferences are occurring, due to the combination of widespread broadband access and ubiquitous mobile devices. As we see companies offering more ways to engage consumers, including online, the percent of business involving a face-to-face professional likely will decline in the coming years. As this reality unfolds, it will become imperative for both manufacturers and financial professionals to refocus the value proposition of a face-to-face advisor.

1 Frey, Carl Benedikt, and Osborne, Michael A., *The Future of Employment: How Susceptible Are Jobs to Computerisation?*, Oxford Martin School, University of Oxford, September 17, 2013.