6 February 2023 (No. of pages:1)

Japanese report: 23 Jan 2023

Paradigm Shift in US Retail Finance

Both customer-oriented investment advice and productivity improvements are required

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Summary

- The paradigm shift in retail finance in the US began with the decomposition of existing business models.
- The pursuit of added value for customers and the pursuit of mechanisms for making money for financial institutions were divided into separate elements. Adjusting the balance between these two elements can be done by modifying existing business models.
- However, the need for customer-oriented business operations increased amid the rapid tightening of regulations caused by misconduct and other incidents that violated the interests of customers. As a result, there was a need for a major transformation of business models that shifted the emphasis to the pursuit of added value for customers.
- This was accompanied by the paradigm shift in retail finance by the addition of customization to meet customer needs and the evolution of technology that enables personalization.
- Over the past 10 years, the US retail securities industry, especially major securities companies, has been shifting from a "commission-based" brokerage business to a "fee-based" managed account business.
- With investment advice becoming commoditized, tightening clients' best interests-related regulations has been increasing the value added of financial advice, which has led to a paradigm shift in the retail securities industry.

Attention
This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.49).