Back in the mid-90s, Jack McDonough, a professor at UCLA’s Anderson School of Management, would enthusiastically pronounce to my fellow MBA students that “the Internet was going to change everything.” It was an outrageous assertion then. Quite a few of us openly disregarded it as the ravings of an academic too taken with his world.

Let’s go back in time. For those of you too young or with poor memories, 1995 was long before smart phones, high-speed internet or Google. Connection speeds were measured in kilo, not mega, bytes and most everyone accessed the Internet via a “dial up” ISP, such as AOL, CompuServe or Prodigy. Netscape, the first real web browser, was newly introduced and only about 10% of the U.S. population was connected to the Internet. From the perspective of the very meager capabilities of the day, it was impossible to see what Jack so clearly saw, that the internet would upend everything we did.

But so it has.

“Only the paranoid survive.” This Andy Grove quote has stayed with me since those days at UCLA. The quote comes to mind whenever I am talking with advisor colleagues who believe that they have little to fear from robo-advisors and the spread of technological innovation into the financial services arena. There is an accepted and comforting conviction that investors will always need to talk to a real person. I wonder if travel agents or bank tellers operated under the same delusion in their day.

Financial advisors do not have special immunity from change, and we should stop sticking our collective heads in the sand, hoping that the technology onslaught will pass us by. Too many industries – from travel services and banking, to news publishing, the music business, retail sales and communications – have been “disintermediated,” to use the fancy B-school term, for us to blindly ignore the potential for massive disruptions to our field. Internet technology has systematically turned one industry after another inside out, pressuring pricing and causing the loss of thousands, probably tens of thousands, of very well-paid professional jobs. It is far from over.

Lest any of my colleagues think they are not replaceable, I urge them to think again. To the claim that “Investors will always need someone to talk to,” I say, “crowd-sourcing.” This (Trip Advisor et al.) is what so readily undercut the human expertise that travel agents believed was their trump card. And as stored, searchable data continues to accumulate exponentially, it is a not a far leap to imagine
automated online advice one day equaling, or outperforming, what we as “experts” in the advisory field provide. Sure, no one has quite figured this out yet. But trust me, they are working feverishly on it somewhere, and they will.

As I watch today’s changes to financial service delivery unfold before my eyes, all I can say is, “Jack, allow me to formally apologize now for my misplaced skepticism. Boy, were you right.” If the trajectory of web-based innovation in other fields is any guide, we are just at the beginning of what will likely be a turbulent sea-change in the way financial advisory services are delivered.

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