

Fidelity wants to own the workplace — and beyond

Fidelity's new benefits administration platform signals that the company wants to deepen its client relationships



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2
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Fidelity Investments is taking control of the workplace.

Need a retirement plan for employees? Fidelity has that. Want to offer a student loan benefit? Roger that. How about payroll services? You got it. Health savings accounts, charitable giving programs, human resources and benefits administration? Yes, yes and yes again.

Now, Fidelity has rolled out a platform to bring all these products under one roof. The digital portal — Fidelity Works — is meant to help small and midsize businesses, and their employees, manage the spectrum of workplace benefits.

The goal, said Chris Hock, head of Fidelity Benefits Marketplace, is to simplify employers' administrative burdens by providing a one-stop shop.

Beyond administrative ease, the platform is telling when it comes to Fidelity's strategic direction. Think of the company like an octopus — it's trying to wrap employers and employees in as many tentacles (i.e., services) as possible. Its omnipresence makes it more likely that users will come to Fidelity first for services and also makes it harder for them to disengage.

"Fidelity is building an Apple brand — they want you to be in their system only," said Philip Chao, principal and chief investment officer at Chao & Co. "For example, if they're in the light bulb business, only Apple light bulbs will work. It's the same idea with Fidelity. They just want to own you."

To be fair, employers that use Fidelity Works aren't locked in to using a Fidelity product, Mr. Hock said. In certain cases, such as HSAs, Fidelity will even administer another provider's product.

But Fidelity is perhaps the most diversified of any financial services company out there when it comes to product offerings.

"They clearly have the broadest product set at this time," said Cynthia Hayes, founder and president of Oculus Partners, a financial services consulting firm.

Fidelity is executing an "employee pull-through strategy," Ms. Hayes said, by leveraging its relationships with small and midsize employers to reach retail customers (i.e., the employees). From there, the hope is to achieve those customers' lifetime loyalty for all of Fidelity's different product connections.

In this regard, Fidelity is starting from a position of power — it's the largest retirement plan provider by far, administering more than \$2 trillion in defined-contribution plans for thousands of employers. Its next closest competitors have less than \$1 trillion.

Fidelity has tried the same strategy to some extent in the retail market by launching no-fee index mutual funds, in the hope that an essentially free investment product will lure in customers to whom it can then sell other products, experts said.

The workplace distribution strategy is one that many other financial services companies are adopting, too, Ms. Hayes said. However, many of them don't offer their own products — they partner with other companies that have such products on their shelf. Empower Retirement, for example, just announced a partnership with CommonBond for Business that will allow it to offer a workplace student loan benefit. Empower also administers HSAs offered by Optum.

Fidelity Works gives the company a leg up in another area: data. By collecting massive amounts of employee data — how much they're spending on health coverage or how much they're saving in retirement accounts — Fidelity can build better models for products like a 401(k) managed account or a retail robo-adviser.

"The data, I think, allows us to provide holistic information to employees to help them make decisions," Mr. Hock said.

On the face of it, Fidelity Works may seem like just an incremental step for Fidelity. But it paints a dramatic picture.

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