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THE HUMAN DIVIDEND

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TAKING ADVANTAGE OF DIGITAL DISRUPTION TO FUEL NEXT-GENERATION WEALTH MANAGEMENT

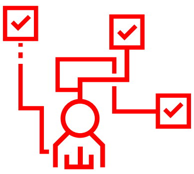
While clients' questions around wealth management are still as relevant as ever—am I seeing the best return on my investments? Can I secure my family's future?—the way in which they are answering them is putting wealth managers under new scrutiny.

The influence of digital technologies—from robo-advisers to online accounts—means clients have unparalleled choice in how they manage their wealth. As wealth managers wrestle with changing clients' behaviors and the demand for greater value, the unpredictability of the wealth management function puts banks at risk of obsolescence.

In the face of such a threat, it is a case of "if you can't beat them, join them." Wealth managers have seen their margins decline by one-third over the last three years.[1] To drive profitable growth by 2020 and beyond, banks must invest today in the digital technologies and platforms that can help them achieve the next level of digital wealth management. By digitally enabling their workforce and capabilities, wealth managers can show clients that the added value of the human touch pays dividends—as a means to not only serve and anticipate clients' needs but also ensure the health of their own organizations.

THREE DIGITAL FACTORS

The case for the digital transformation of wealth management is based on three key factors:



THE PERCEIVED VALUE OF TRADITIONAL "ADVICE"

Customers are no longer willing to pay a premium for undifferentiated services and advice. With a combination of a growing number of digitally savvy customers and a new breed of digital natives, expectations are running high for the same kind of swift, flexible services consumers enjoy from other industries to be applied to meeting their financial needs. But in many ways, wealth managers' hands are tied. Eighty percent of their time is spent on non-revenue generating activities, such as compliance, risk or filling in forms.[2] As a result, front-office morale can be poor. Services that address the needs of customers' daily lives cannot be based on yesterday's reality.

EIGHTY PERCENT OF WEALTH MANAGERS' TIME IS SPENT ON NON-REVENUE GENERATING ACTIVITIES.

Digitally enabled advisers can transform the value exchange between themselves and their clients. Eliminating non-value-add activities through automation, for example, means advisers could focus on having more holistic financial planning conversations with their clients. Additionally, complementing advisers' skills with artificial intelligence to better match a client's need with the most appropriate solution can help to optimize lifetime value for the client and the wealth manager. Digital technologies demand that employees are flexible and adaptable—a fact which is not lost on workers Accenture Strategy surveyed; 95 percent of people said they need new skills to stay relevant at work, and 92 percent expect the next generation will work differently because of technological advances.[3]

CUSTOMERS DEMAND A LIFESTYLE PARTNER

Digital technologies are blurring the lines between how customers live and work. Freed from the constraints of local high street options, customers are looking to their wealth managers to ease their access to lifestyle choices—such as engaging with them around their passions for collecting cars, art, antiques or wine. Private banks must go beyond their own four walls to avoid being swiftly replaced by robo-advisers, new entrants, artificial intelligence or a combination of the same. They must develop a more comprehensive understanding of their customers globally. And they must open themselves up to an ecosystem of relationships to fuel sustainability and growth. In fact, having a 360° view of the client and using analytics to drive bespoke advice can lead to a 25 percent increase in assets.[4]

Exploiting these broader insights and relationships means providing customer-centric value-added services—not only offering a range of VIP events to satisfy the needs of an art-collecting client, but also sparking the interest of the family and friends of existing clients to foster the investors of the future. For example, each year most private banks in Switzerland invite their top clients to Art Basel, an international art fair.

Liaising with lawyers is another important part of an ecosystem that supports investment opportunities—many wealth managers advise their wealthier clients on investing in global, charitable foundations and need to employ tax lawyers who address the optimization of tax liabilities by making sure that the structures in place are legally sound.

In the future, wealth managers must plan the journey line of their customers—from wealth accumulation and retirement planning to next-generation succession planning or trust-based services. Customers need only to have a clear understanding of the risk of their own financial plans and be fully engaged in the outcome. Here, digital comes into its own. Convenience and digital access has shown 77 percent improvement in client retention and an increase in net new client acquisition on social media.[5]

IN THE FUTURE, WEALTH MANAGERS MUST PLAN THE JOURNEY LINE OF THEIR CUSTOMERS.

MORE VALUE MUST BE SQUEEZED FROM DATA

Customers are redefining the word “loyalty.” Our experience finds that only one-quarter of clients are being actively served by wealth management teams. One or two phone calls a year and one face-to-face meeting is insufficient to add value. The switching economy is worth approximately US$6 trillion globally, meaning the stakes are high for wealth management services.[6] Today, the wealth management function is unable to differentiate services by customer lifetime value. As a result, actionable, insight-led segmentation is limited at a time when “one-size-fits-all” asset band segmentation of clients (Retail, Affluent, High Net Worth and Ultra High Net Worth) remains rooted in the past.

Wealth managers can offer differentiated services that drive new profit streams by tapping into their “data gold.” They need to combine advanced analytics based on this data with the advisers’ knowledge of what is important to the client and use this information to enhance the wealth managers’ value propositions. In this way, they can better secure clients who are prepared to pay a premium. For example, a European bank has created an exclusive wealth management online community using big data to better understand client needs, with a particular focus on philanthropic events and opportunities.

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DIGITAL DRIVES VALUE

Actions banks need to take to achieve next-generation wealth management include:

INVEST IN HYBRID WEALTH MANAGEMENT

Re-evaluate roles and reset priorities to become an organization that marries human and artificial intelligence, bringing the low cost and seemingly limitless analytics of digital together with the human touch—where it is understood that wealth management involves emotions and families. Banks must develop hybrid wealth management offerings. These offerings should include innovative products that complement them to cost-effectively serve their clients and free up their most valuable and expensive asset, the adviser, to do what he or she does best: build human trust and increase sales.

Ultimately, clients are in the driver's seat and their expectations vary. For those who want a quick, personalized response, human interaction becomes a premium feature for which they are willing to pay. The fundamental change from traditional wealth managers "pushing" products to clients, irrespective of their needs, to clients having full control and "pulling" information to suit, will enable the hybrid client adviser to spend more time serving clients—and do so more effectively.

BECOME
YOUR CLIENT'S LIFESTYLE PARTNER

Avoid the legacy trap by becoming an ecosystem wealth manager. Many wealth management firms are building state-of-the-art integration capabilities using open APIs or moving toward platform strategies that will mean they are better positioned in a market that is crowded with FinTechs.

> **Saxo Bank, once a discount broker and electronic trading platform, is a good example that the future is API. The bank has re-invented itself by investing in OpenAPI and since 2015 has opened up its solution to allow its partners, clients and external developers to access more than 20 years of trading infrastructure innovation and enable them to customize their trading experience and create new revenue streams.**[7]

The future wealth manager has a solution to address every client need, life stage and privacy preference through one platform that is connected to a myriad of ecosystems. By becoming an ecosystem wealth manager and interacting through open APIs, digital wealth managers can operate in a larger data universe to spot client trends and needs early on. Increasingly, time to market is critical and should be almost in real time through frequent app upgrades and digital interactions, anytime, anywhere.

ATTAIN
BIG DATA TO CREATE VALUE:

Continuously seek out new, proactive client service opportunities. Currently, only the top 20 percent of each client segment[8] is receiving proactive service, while the remainder must call their client advisers (reactively) to receive service. By making full use of existing data, wealth managers can drive new forms of value, not only from existing client investments, but also from differentiated, bespoke advisory services. In this way, wealth managers can enable clients to pay across segments for their desired service level and combination. Wealth managers should expand their reach by introducing new services to old segments, doing more with what they have and continuously educating clients on new win-win collaborative models and complimentary products or services.

USING DIGITAL TECHNOLOGIES

the wealth management function can offer clients the tailored advice and communications they expect to meet their changing demands.

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NOTES

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[3] "Harnessing revolution: Creating the future workforce," Accenture 2017.
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[7] "Saxo opens access to its trading infrastructure with the launch of OpenAPI," Saxo Bank, September 2015.
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