Digital Wealth Management: Reimagining Wealth Management for the Digital Age: Empowerment, Engagement, Agility
REIMAGINING WEALTH MANAGEMENT FOR THE DIGITAL AGE:
EMPOWERMENT, ENGAGEMENT, AGILITY
Executive summary

New digital technologies—mobile, analytics, social and cloud—are enabling both unencumbered development and unprecedented disruption, right across the wealth management value chain.

Using readily available components that cost little or are actually free, digital disruptors leveraging open platforms can enter the market directly, with more cost-effective, more innovative, more customized solutions that compete with incumbents on all three core value disciplines: operational excellence, product leadership, and customer intimacy.

With new entrants offering advisory fees between 25 – 35 bps, incumbents are struggling to find the right response. Should they build, buy, invest or partner to close a digital gap that's threatening to commoditize their core business?

There's no single winning approach. But Accenture research¹ and experience strongly suggest that regardless of size, structure or business model, responding successfully to digital disruption will involve much more than launching a new app.

Today’s client expects a new kind of wealth management experience. And that means a focus on new business outcomes—offerings designed from the client’s perspective that deliver more informed, more personalized, more transparent, and more collaborative service more quickly, efficiently and effectively.

The experience of other industries that have risen more swiftly and resolutely to the digital challenge shows that digital capabilities create net new business value. But the creation of a digital business requires a clear strategy focused on the desired outcomes—a strategy that leverages the power of intersecting digital processes and channels. And building the business case for change won’t be easy.

Wealth management incumbents have been relatively slow to recognize the implications of the digital revolution. The technology, after all, has not been sufficiently available for long-term ROI to be clearly demonstrated—hence the tendency for even the boldest incumbents to be fast followers, rather than leaders.

The speed of digital disruption is now so rapid, however, that even these fast followers could be left behind. Besides, the rewards of viewing the disruptive power of digital as an opportunity, rather than a threat, promise to be massive. They include:

- Net new revenue streams
- Brand reinforcement
- New and expanded customer relationships
- Better customer retention
- Productivity efficiencies for financial advisors and the home office
- Lower cost business models.
The message for incumbents is clear: Become a disruptor.

Empower your clients by reimagining your current processes and inventing new ones. Leverage digital technologies to engage more effectively with them. And stay on your toes.

Agility is the key characteristic of successful digital enterprises in any industry, and wealth management is no exception. Indeed, by transforming your approach you will strengthen your business. And as you build deeper, more trusting client relationships, you will enhance client satisfaction and encourage more committed financial advisors—all of which will reinforce the need for your ongoing advice.
Disrupt, or be disrupted

The digital revolution is customer-driven in wealth management, as in other industries.

Digitally empowered clients—Accenture calls them Generation Digital, or Generation D—are a cross-generational cohort. They are better educated (and thus more demanding) than those without digital capabilities. What’s more, as wealth passes from Baby Boomers to Millennials, their expectations are diversifying. Generation D clients are often as concerned about funding a healthy lifestyle or a career change as they are with leaving a legacy.

Generation D clients also believe that their financial future is largely in their own hands. They use technology to seek out engaging, educational experiences across multiple channels, 24/7. And our Generation D research found them to be less trusting and often more risk averse than those without such capabilities.

More than half have sought financial advice from friends and family, for example; some (notably Millennials) say they would never take a financial advisor’s advice before consulting other channels; and significant numbers already actively invest through alternative channels (See Figure 1).
Figure 1. Generation Digital – New Investor Attitudes

With confidence in advisors declining, investors seek to validate financial information. Gen D members are less likely to view financial advisors (FA) as trusted resources for the information they need to invest wisely.

Gen D Investor Attitude

Less Trusting, More Conservative

Bypassing Advisors

- Actively seek financial advice
  - From any source – (online sites, social media, friends etc) 59%
  - From a Financial Advisor 40%

- Millennials actively investing
  - Through all channels 71%
  - Through FA 28%

- Would never take FA advice without consulting other sources
  - Millennials 28%
  - All – Boomers, Gen X, Millennials 17%

Risk Averse

- Self-identify as conservative investors
  - Millennials 43%
  - All – Boomers, Gen X, Millennials 36%

- Thoroughly researched major purchasing decisions
  - Through all channels 39%

- Must fully understand all options/outcomes to feel in control
  - All – Boomers, Gen X, Millennials 41%

Seeking Knowledge

>50% have sought financial advice from friends, family, social media contacts, etc

Top financial sites visited

- Yahoo! Finance 40%
- CNBC 29%
- Fidelity Invs. 28%
- CNNMoney 27%
- E*Trade 27%
- WSJ 27%

Figure 2. Generation Digital – Financial Advisors see Value in Digital

Gen D financial advisors recognize the criticality of digital tools as a means to identify and engage prospects and clients.

Gen D Financial Advisors
Understand Digital Tools are Keys to Success

- FA competency, attitudes, behaviors
  - Tech Savvy: 75%
  - Contact clients daily via social media: 60%
  - Found/converted clients via digital channels: 54%
  - Believe clients want digital interaction: 50%

Digital tools facilitate success
- Improve investor trust through:
  - More frequent interactions with clients
  - Engaging opportunities for client education
- Provide channels for collaboration within financial firms: 85%

Seeing Real Results
- Acquired new clients via social media: 40%
  - Facebook: 77%
  - LinkedIn: 74%
  - Twitter: 73%
- Improved business via digital/social tools
  - Improved client retention

Believe clients want digital interaction: 50%

No surprise then to learn that Generation D advisors also value digital tools. In fact, our research suggests that they are clamoring for more of them—largely because they recognize the value of such tools in cultivating and managing client relationships more successfully (see Figure 2).

But the digital revolution offers more than the chance to connect advisors more directly and effectively with your clients. Digital tools can also boost advisor productivity.

And by leveraging these tools to enable advisors to engage and collaborate more transparently with clients, you can counter the shift to self-directed advice—enhancing trust, and thus the likelihood that clients will continue to seek your advice.

That's not all. New digital capabilities also have a role to play in a more complex regulatory environment. With uniform fiduciary standards looming they can improve supervision—and help advisors deliver a more transparent service.

Plainly, responding to the digital imperative is no longer an option for incumbents—it's a necessity: And as digital disruption accelerates, an increasingly urgent one.
Figure 3. Big Bang Disruption
“The Shark Fin” represents a new model of rapid innovation

Old model of industry change

New model of industry change

BIG BANG MARKET SEGMENTS

Innovators (2.5%)
Early Adopters (13.5%)
Early Majority (34%)
Late Majority (34%)
Laggards (16%)

Big Bang Disruption describes how disruptors conceive, build and launch innovative products and services continuously and frighteningly fast (see Figure 3). By raising expectations around technology-driven, more satisfying and more cost-effective solutions, these remarkably agile newcomers are attracting the attention of more and more Generation D clients—and steadily eating into key areas of the wealth management value chain.
Disruptors in Wealth Management

As seen in other industries, such as Amazon disrupting Best Buy and Airbnb.com disrupting Hilton, digital disrupters are challenging traditional elements of the wealth management value chain.2

While not currently major competitive threats to the large incumbents, digital disruptors are redefining client expectations around the overall wealth management experience - as well as on fees charged for advice. Beyond the online financial advisors, emerging wealth management players are providing algorithm-based investment advice, packaged portfolios, and 401k guidance that digitize financial advice. Some of these new firms are focused on trade mimicking – which entails identifying, simulating and/or replicating investment portfolios based on information in a client’s social networks. With growth rates north of 400% per year not uncommon for a few of these disruptors, large incumbents do need to take note and determine where and how they want to make their digital bets.

New opportunities, better client outcomes

Responding to the digital challenge isn’t just a defensive imperative. The digital revolution is shaping an entirely new idea of what’s possible in wealth management. Indeed, it enables exciting new opportunities for incumbents to drive better client outcomes, engage prospective clients, and build new value.

By creating a digital business founded on digital processes and channels, incumbents can provide new client and advisor capabilities, and leverage their scale for immediate emotional and financial impact.

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2 http://www.businessweek.com/articles/2013-12-12/from-the-brink-of-disruption-to-the-year-s-top-corporate-comebacks
Furthermore, incumbents can connect with clients more effectively (and profitably) by focusing on new and improved outcomes anchored in an engaging and empowering experience. Better-informed clients are also more trusting clients—and more likely to continue to seek advice (see Figure 4).

The “right” digital response hinges to a large extent on business model and scale. But all incumbents need to understand that becoming a digital business is about much more than the digitization of operations or marketing.
Figure 5. Becoming a digital business is different from digitizing marketing or operations
Digital businesses combine digitalized processes with digitalized channels to facilitate an end-to-end customer experience (see Figure 5).

Improved operational efficiencies power such models. And the experience of other industries, more advanced in their response to the digital challenge, indicates how.

Witness, for example, how the UK-based retailer Tesco enables shoppers to scan products and buy them, effortlessly, via an array of interactive technologies, including self-service, touch-screen kiosks. Or consider Disney’s MagicBand, an all-in-one "wearable" device that connects users of My Disney Experience seamlessly and easily with all of their vacation choices—from hotel room access to park rides.

Both players are not only innovating better client experiences. They are also redefining their operating models, and thus, as a result of their innovations, generating higher operational efficiencies for themselves. Wealth management incumbents should anticipate similar pull-through effects in their home offices.

Three steps to seek success

Based on our research and experience, Accenture has identified three essential components of a potentially successful response to the digital challenge, regardless of business model:

1. **Empowerment**: of both client and advisor, building trust by making clients better informed

2. **Engagement**: to enable a more collaborative relationship between client and advisor

3. **Agility**: of both mindset and business model, to adjust rapidly to the speed of change

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Empowerment

Some incumbents think that providing clients with detailed data insights will generate unnecessary concerns. But our Generation D research confirms that clients not only demand more data transparency, they also want to be able to validate the advice they receive. In fact, incumbents that try to restrict access to data risk disintermediation. Today’s clients won’t give them a break just because they boast a venerable heritage and powerful brand.

By really teaming with the client, and not just making them a recipient of information, incumbents can build trust. But first they need to help ensure fully transparent access to data for investors—and to educate them about how to interpret and use it.

Full transparency starts with confirming that clients have access to all relevant information—portfolio data, performance reporting, fee structures, and other significant insights.
Smart incumbents are already starting to provide such access. One leading player, for example, pulls in account information from other financial institutions to show a client’s total asset allocation and investing style. By digitizing workflows, another big player has enabled clients to access services more swiftly and efficiently— as well as reduced errors and provided advisors with better insights into client needs.

**Engagement**

Incumbents need to make a more collaborative, goals-oriented financial planning experience the center of the advisor/client relationship: To change the focus from tracking individual returns to monitoring progress against financial goals over time.

Digital tools make constructing, updating, and monitoring the financial plan much easier. Indeed, the ideal wealth management platform is enabled by technology to be a single and scalable advice and fulfillment platform. And putting capabilities in the hands of clients will enable them to interact with their financial plan, model scenarios and simulate returns.

Working together, advisors and their clients can build better outcomes and new value. One leading player, for example, offers a customizable, online program that enables clients to integrate financial information in one place, and test scenarios that can impact their financial plans. With instant access to constantly refreshed market data, clients and their advisors can evaluate the implications of a wide range of macro-economic and personal developments for their financial goals.

Meanwhile, empowering advisors with more detailed client information, as well as with mobile tools, can make them more readily and directly accessible and thus even more responsive to client needs.

By leveraging analytics to gain a 360-degree view of the client, advisors can make significantly more meaningful individual recommendations, customizing on the basis of micro-segmentation, including attributes such as the client’s job and tax status, for example, or their aversion to certain securities.
They could also deepen their insights (and enhance trust) with existing clients by facilitating online discussions in social channels. And gamification techniques could be particularly effective with prospective clients. Incumbents could, for example, invite visitors to their firm’s website to try out products and services before they buy: “Download our app to test your investing skills”. One disruptor, for instance, helps prospective clients learn about trading through the creation of a virtual portfolio that users can create and manage for themselves, while competing against members in their social networks. Once familiar with the capabilities and experiences of the firm, users can start investing real money.

**Agility**

Digital disruption is ubiquitous. Consider, for example, how the advent of airbnb.com has challenged the hotel industry; how disruptors such as Square are forcing traditional financial services providers to rethink their approach; or how Amazon is changing the face of retail.

Some traditional players are being squeezed out because they simply aren’t agile enough. But others are responding with imagination to the threat. Walmart, for instance, is rising to the challenge by enabling money transfers both online and between stores, essentially launching the company into financial services and banking.

Wealth management incumbents need to follow suit by becoming similarly agile. Some have started to do so, seeking to close the digital gap by taking minority investments in the digital disruptors, teaming with them, or buying them outright. A far-sighted few are creating “innovation labs” to prototype, incubate and test new ideas—fostering, in effect, a culture of innovation from within.

That kind of culture will be critical to the disruptor mindset that incumbents need to prosper in the digital age. Indeed, in combination with an approach that prioritizes better outcomes and new value for investors, and business models agile enough to keep pace with change, it can position them as revolutionary leaders, leapfrogging more cautious competitors.

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Getting started

There is no single route to success—and no single ‘right’ thing to focus on. It’s important to remember that you may not need to test new ideas at full scale, and that these are iterative processes.

Not every new idea or approach will succeed. But by continuing to experiment with different initiatives, and testing them with clients—both current and prospective—your chances of generating new, meaningful value through one or more winning ideas will significantly increase.

Start with a clear digital strategy that is centered on better customer outcomes, and place those outcomes at the forefront of your design. Pick key areas of focus—and change them if necessary.

Above all, seek to disrupt by creating new, outside-in business outcomes that create new value for clients. Only by adopting the agile, innovative mindset of the digital disruptors will you be able to leapfrog the competition, redefine your market position, and generate net new value for yourself and your clients. The time to start driving such an approach is now.
About Accenture
Accenture is a global management consulting, technology services and outsourcing company, with approximately 289,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world’s most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com

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