

Digital disruption in Nordic Wealth Management

APPENDIX

THIS PAPER PRESENTS THE DETAILED RESULTS OF THE RESEARCH CONDUCTED BY ACCENTURE STRATEGY IN THE NORDICS AS A COMPLEMENTARY APPENDIX FOR THE PUBLISHED POINT OF VIEW "DIGITAL DISRUPTION IN NORDIC WEALTH MANAGEMENT".

The purpose of the research was to create a profile of Nordic investors and assess their attitudes toward new digital wealth management services.

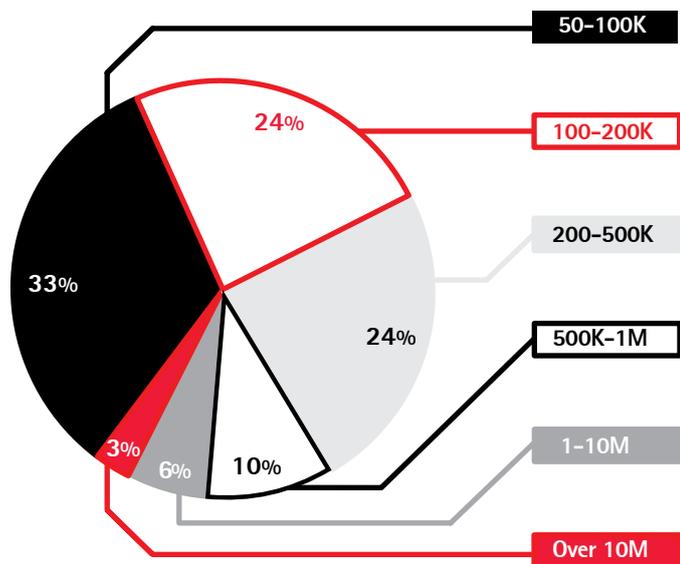


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THE PROFILE OF NORDIC INVESTORS

The research is based on the responses of nearly 600 private investors from Denmark (27 percent), Finland (27 percent), Norway (24 percent) and Sweden (22 percent). The distribution of respondents by total wealth in liquid investable assets is presented in Figure 1.

FIGURE 1: Respondents by total wealth in liquid investable assets (EURO)



The investors were classified into three categories based on their investing style: **self-directed** (those who actively follows the markets and make their own investment decisions), **advice seeking** (those who look for advice, but like to execute by themselves) and **delegator** (those who give full mandate to the wealth manager to invest their money based on their objectives).

The results in Figure 2 show that 45 percent of the investors are self-directed in the Nordics, and interestingly, so are about 40 percent of those with over 1 MEUR in liquid investable assets (table 1). Many of the self-directed do not use a wealth manager because they do not see the value of doing so. Creating advanced next generation tools with reasonable pricing could enable Nordic wealth managers to expand the client base by better addressing the self-directed investors.

Risk profile as an investor was also examined (see Figure 3 and table 2). The share of moderate and aggressive investors increase hand-in-hand with the amount of liquid investable assets among Nordic investors. The implication: the greater the wealth of an investor, the more risk they are willing to take.

While 50 percent of Nordic investors with less than 200 KEUR in investable assets are cautious investors, the same figure for 1-10 MEUR group is only 21 percent and 13 percent for the over 10 MEUR group respectively. Overall, 41 percent of Nordic investors consider themselves cautious, 53 percent as moderate and 6 percent as aggressive.

FIGURE 2: Respondents by investing style

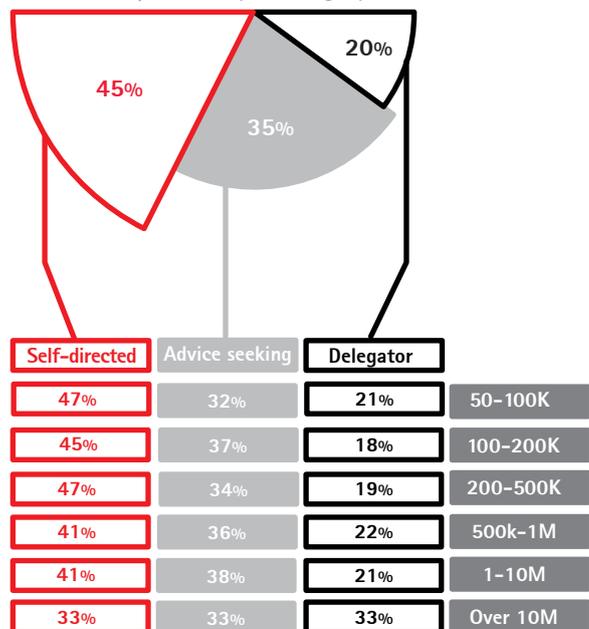


TABLE 1: Respondents by investing style and liquid investable assets

FIGURE 3: Respondents by risk profile

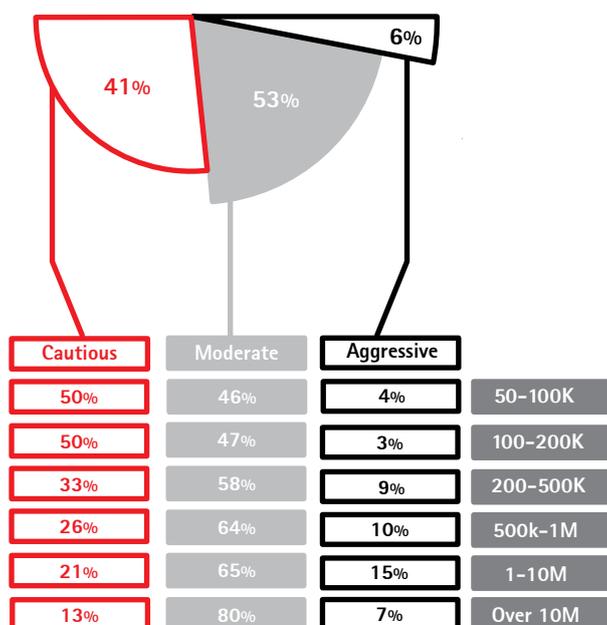


TABLE 2: Respondents by risk profile and investable assets

Investing Style	50-100K	100-200K	200-500K	500k-1M	1-10M	Over 10M
Self-directed	47%	45%	47%	41%	41%	33%
Advice seeking	32%	37%	34%	36%	38%	33%
Delegator	21%	18%	19%	22%	21%	33%

Risk Profile	50-100K	100-200K	200-500K	500k-1M	1-10M	Over 10M
Cautious	50%	50%	33%	26%	21%	13%
Moderate	46%	47%	58%	64%	65%	80%
Aggressive	4%	3%	9%	10%	15%	7%

THE USE OF NEW ENTRANTS IN DIGITAL WEALTH MANAGEMENT AND THE LACK OF TRUST

Most Nordic investors do not make extensive use of digital services from new entrants including online brokers, social investing platforms, robo-advisors and personal finance services. Only 24 percent of under fifties use them today compared with only 14 percent of the 50+ generation (see Figure 4).

DO YOU CURRENTLY USE DIGITAL WEALTH MANAGEMENT SERVICES?

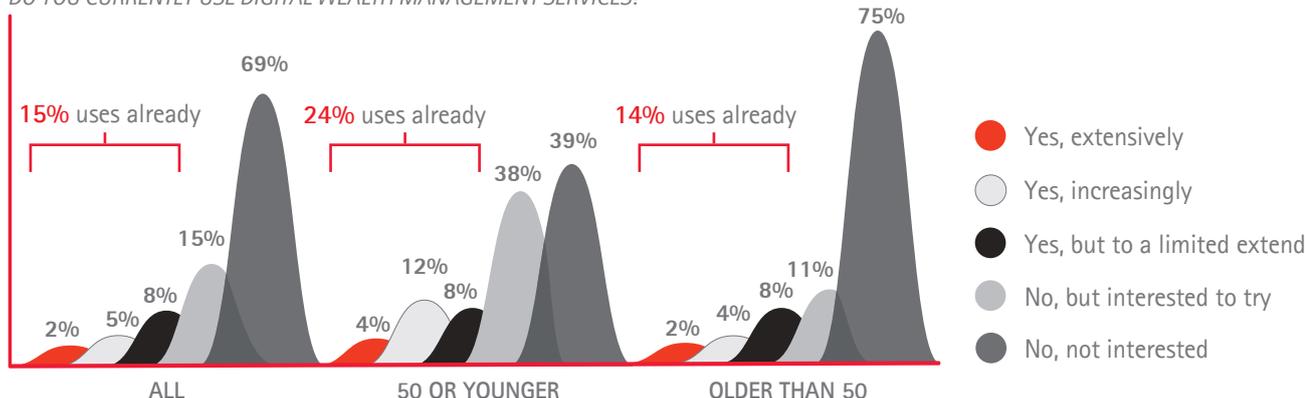


Figure 4: Current use of digital wealth management services of new entrants

Lack of trust is one of the reasons both younger and older investors are reluctant to try new digital wealth management service providers. That stems from both a lack of familiarity with the new digital players and concerns about their security. This finding supports an advantage for traditional players.

We also found that half of all investors are willing to try new service providers, with younger investors showing the strongest interest: up to 81 percent of under fifties and 45 percent of 50+ generation investors expressed their willingness to invest part of their wealth through fully digital services. This should serve as a wake-up call for wealth managers: to create a digital go-to-market strategy including a clear roadmap on what, how and when to launch the required offerings for younger customers—a segment that promises to expand.

In building trust for new services, a local brand does not do make a difference. While just over half (51 percent) of all investors are willing to invest part of their wealth in a fully digital platform based in their home country and 39 percent in the Nordics, only 30 percent would consider using one based in a country outside the Nordic region (see figure 5). Home advantage could be a critical factor, but only for a limited time period, because a much higher proportion of younger investors (61 percent) are willing to place their bets in the hands of non-Nordic digital advisors.

Looking at Nordic countries individually, there are surprisingly large differences in willingness to invest a part of one's wealth in pure digital platforms. The total average was 51 percent. In Denmark however only 36 percent are willing to try, whereas Sweden and Finland showed above average willingness (see Figure 6). Finnish and Swedish respondents also showed the highest trust towards new entrants.

HOW MUCH OF YOUR WEALTH WOULD YOU BE WILLING TO INVEST IN A FULLY DIGITAL SERVICE PLATFORM THAT IS BASED...

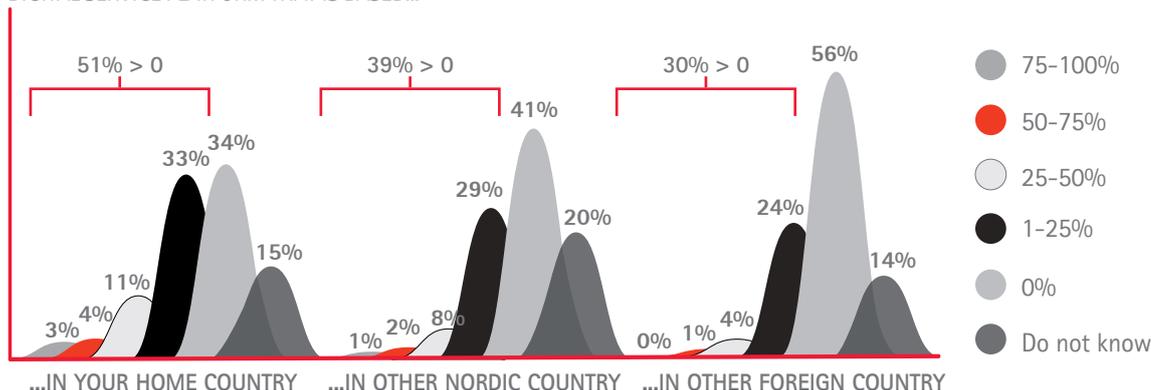


Figure 5: Respondents' willingness to invest through a fully digital platform

PRICING

Using digital channels and robo-advisory platforms sets expectations for pricing of wealth management services. Investors expect digital-only services to come with a hefty discount on traditional services. On average investors expect pure digital providers to have fees 38 percent less than traditional providers. And as many as one-third expect those fees to be 60 percent less. Those under fifties demand even higher discounts compared to their older counterparts (on average 47 percent discount compared to 36 percent).

MiFID II directives will also put pressure on wealth managers to change their pricing models. We studied Nordic investors' preferred pricing models and among those who currently use Wealth Management services, the most preferred option is pricing linked to the performance of portfolio, regardless of the age of the investor (see figure 7).

As stated earlier, our research showed that only a small share of investors are willing to pay extra fees for personal financial management or financial planning and investing tools. However, the study also found that a higher portion of investors are willing to pay more for services that address their complex and longer-term planning objectives—those that require advice from specialist teams (up to 34 percent). These include areas such as retirement and estate planning (see willingness to pay extra in Figure 8). This is an area of clear advantage for traditional wealth managers as these requirements are not easily addressed through pure-play digital channels. It is often costly and difficult to find expertise customers are ready to pay for.

HOW MUCH OF YOUR WEALTH WOULD YOU BE WILLING TO INVEST IN A FULLY DIGITAL SERVICE PLATFORM THAT IS BASED..... IN YOUR HOME COUNTRY?

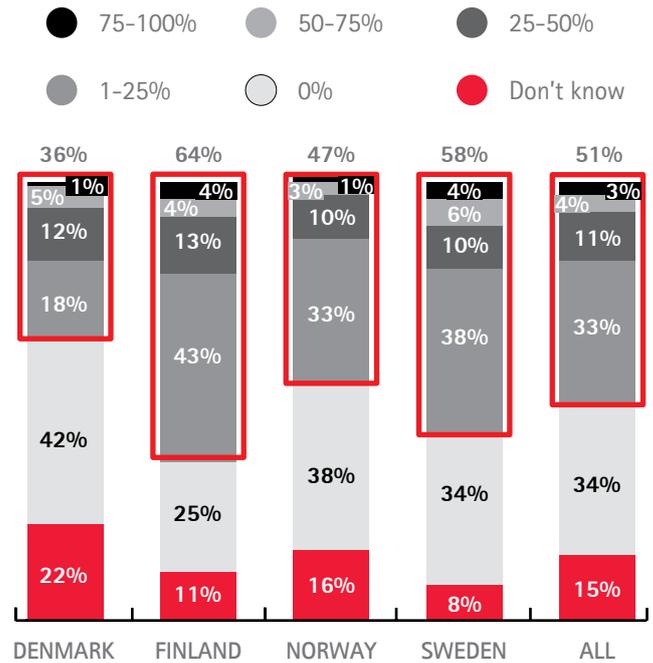


Figure 6: Respondents' willingness to invest through a fully digital platform, results by country

WHICH OF THE FOLLOWING WOULD BE A PREFERRED PRICING OPTION FOR YOU?

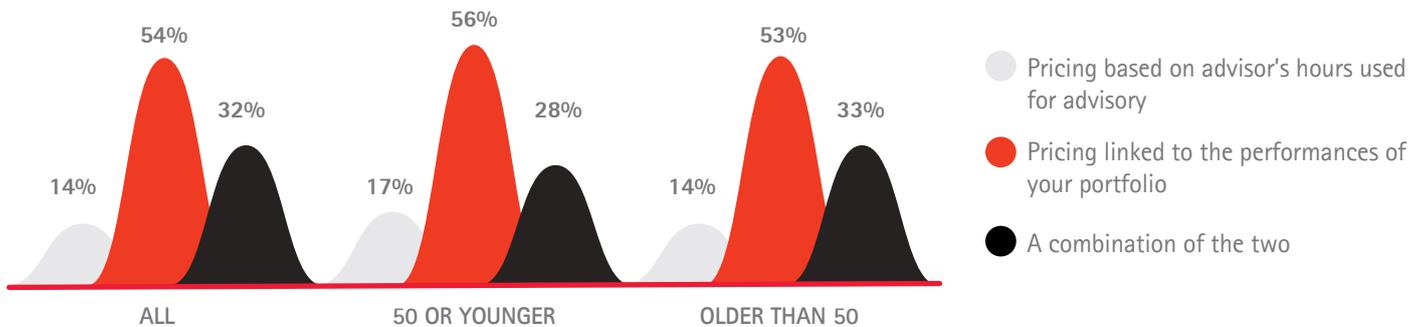


Figure 7: Preferred pricing models

PROPENSITY TO PAY = SHARE OF THOSE WHO COULD PAY A SMALL EXTRA PRICE TO INCLUDE THE SERVICE OUT OF THOSE WHO CONSIDER THAT THE IT SHOULD BE PART OF THE SERVICE PACKAGE

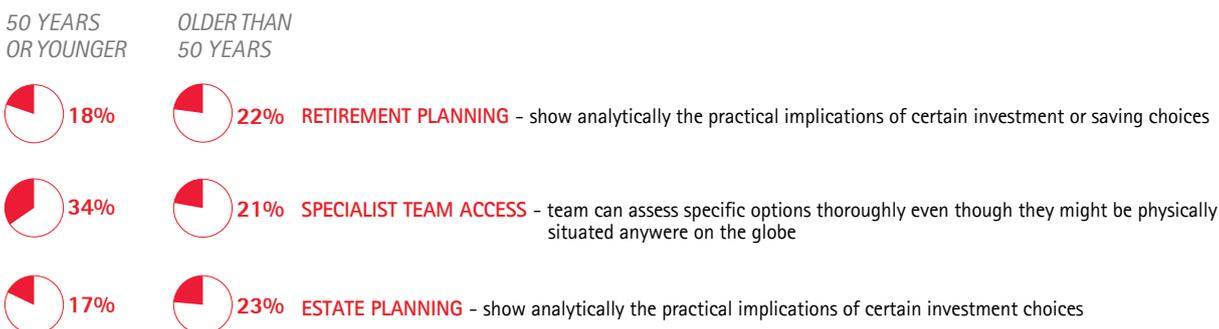


Figure 8: Willingness to pay extra for specific advice services

CHANNELS OF COMMUNICATION

For wealth managers, digital makes multi- or even omni-channel communications with their customers a growth driver. But few have yet to fully embrace the opportunity. Our research shows that only 20 percent of under fifties and eight percent of older investors use mobile communications with wealth management advisors. Face-to-face, email and phone are by far the most frequently leveraged channels for all age groups. However, our research also shows major interest in a greater use of digital channels (see Figure 9). Older investors' responses suggest that their appetite for digital channels is not being met by providers.

However digital is not a value in itself. Our results point to face-to-face communication as an essential for the majority of investors. In fact, only 13 percent of under fifties and 11 percent of older investors say that it is not an important consideration for them in managing their wealth. Human interaction is also perceived as important across the four countries (see Figure 10). When do investors most want face-to-face meetings? 1) When becoming a customer to a new wealth manager, 2) during annual meetings to review performance and to set new objectives and 3) when receiving retirement or pension-related advice.

HOW INTERESTED ARE YOU IN USING THE FOLLOWING COMMUNICATION CHANNELS? (SHARE WHO ANSWERED "HIGHLY" OR "SOMEWHAT INTERESTED")

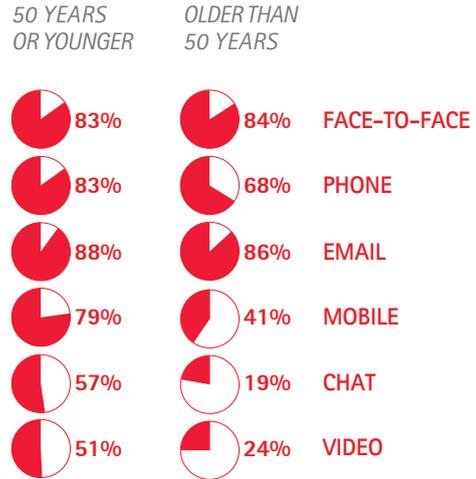


Figure 9: Communication channel preferences

HOW IMPORTANT IS HUMAN INTERACTION TO YOU IN MANAGING YOUR WEALTH?

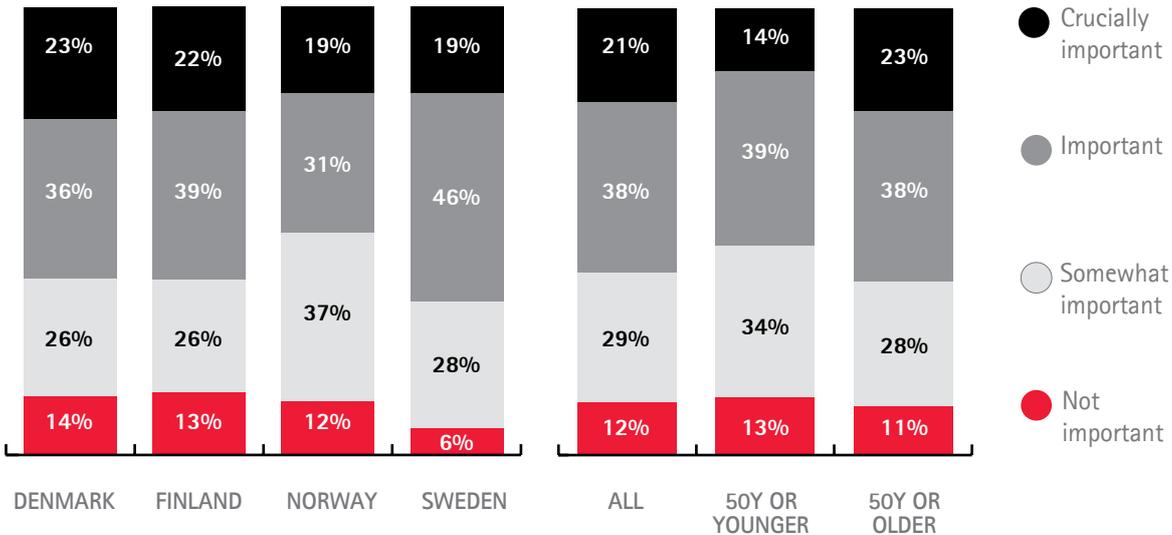


Figure 10: Importance of human interaction in wealth management

DIGITAL PERSONAL FINANCIAL MANAGEMENT-AN EXPECTED PART OF THE PACKAGE?

We also surveyed the current use and preferences towards specific features that new entrants and digital channels enable. Comprehensive digital tools for personal financial management have not been readily available or heavily used by Nordic investors to date. About half (53 percent) of under fifties and only 37 percent of the 50+ generation report having some of the features available. Despite relatively low usage, investors have rising expectations that these tools should be available as part of the service they receive. And at no extra cost. When asked about future preferences, 84 percent of those under fifty thought that at least some of the features should be offered to manage their finances.

Net-net: low usage rates do not reflect a lack of desire from investors. They simply are not available in most instances. Figure 11 shows how a large share of Nordic investors believe these tools should be part of their service packages.

While investors perceive personal financial management tools as useful or at least as "nice to have" features, only three to eight percent of under fifties and three to five percent of older investors considered these features to be "impressive." The implication? Investors' expectations have already moved beyond what is currently offered. In addition, among those who saw these features as a relevant part of service, only three to 13 percent would pay an extra fee for them. With no difference between younger and older investors (see Figure 12).

SHARE OF RESPONDENTS WHO ANSWERED "IMPRESSIVE", "MUST HAVE" OR "NICE TO HAVE" FEATURE WHEN ASKED ABOUT IMPORTANCE OF THE TOOLS

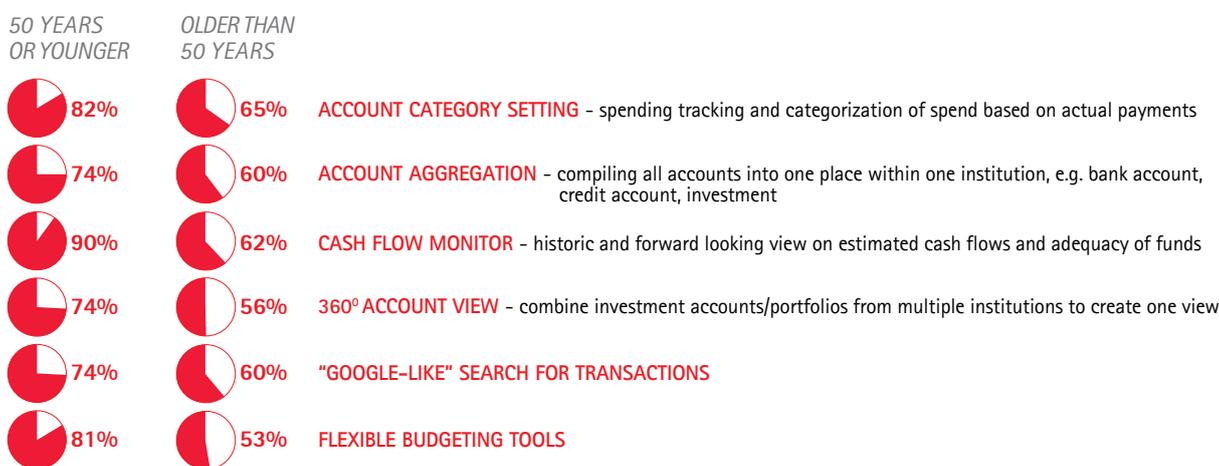


Figure 11: Importance of personal financial management tools

PROPENSITY TO PAY = SHARE OF THOSE WHO COULD "PAY A SMALL EXTRA PRICE TO INCLUDE THE FEATURE" OUT OF THOSE WHO CONSIDER THAT THE FEATURE SHOULD BE PART OF THE SERVICE PACKAGE

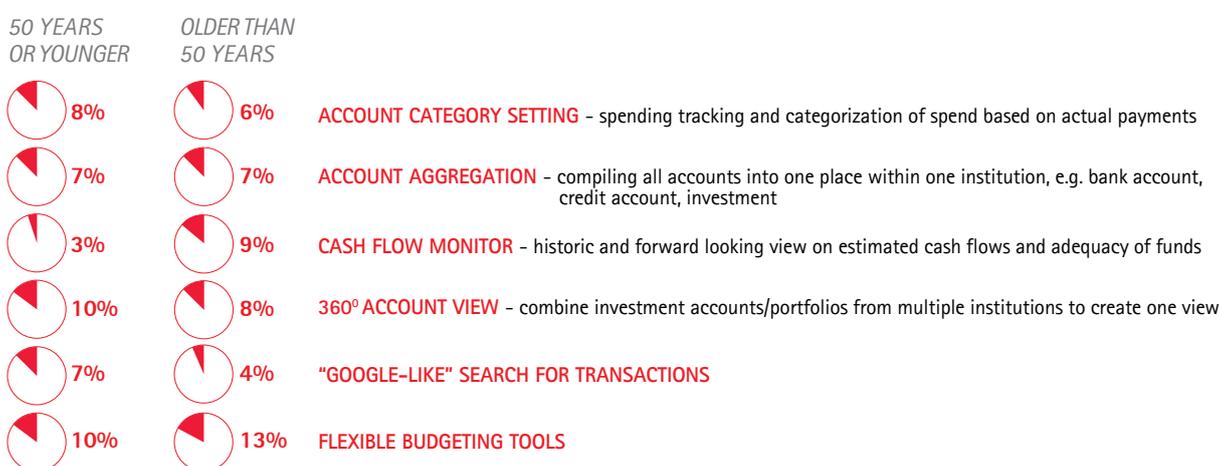


Figure 12: Willingness to pay extra for personal financial management features

DIGITAL FINANCIAL PLANNING AND INVESTING

Digital tools are more frequently used when it comes to financial planning and investing. 70 percent of under fifties already use some of these tools, and 60 percent of older investors do too. Comparing to personal financial management tools, the share of investors that considers these tools "impressive" features is higher, especially among those under fifty (see figure 13). Results suggest that this is an area where wealth managers should continue to develop.

SHARE OF RESPONDENTS WHO ANSWERED "IMPRESSIVE", "MUST HAVE" OR "NICE TO HAVE" FEATURE WHEN ASKED ABOUT IMPORTANCE OF THE TOOLS

50 YEARS OR YOUNGER OLDER THAN 50 YEARS

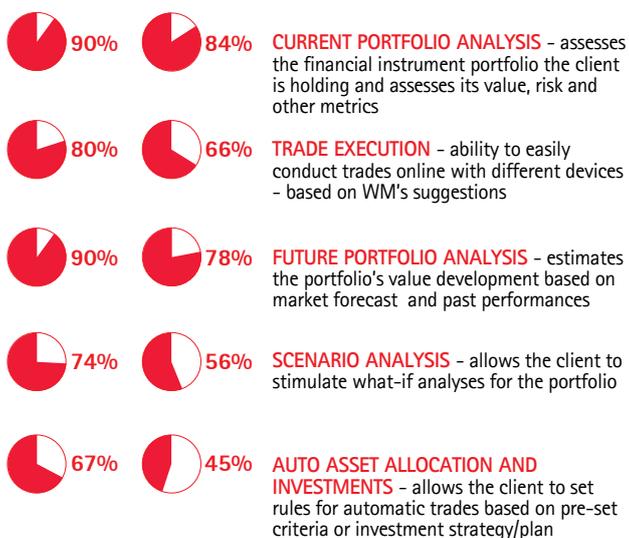


Figure 13: Importance of financial planning and investing tools

PROPENSITY TO PAY = SHARE OF THOSE WHO COULD "PAY A SMALL EXTRA PRICE TO INCLUDE THE FEATURE" OUT OF THOSE WHO CONSIDER THAT THE FEATURE SHOULD BE PART OF THE SERVICE PACKAGE

50 YEARS OR YOUNGER OLDER THAN 50 YEARS

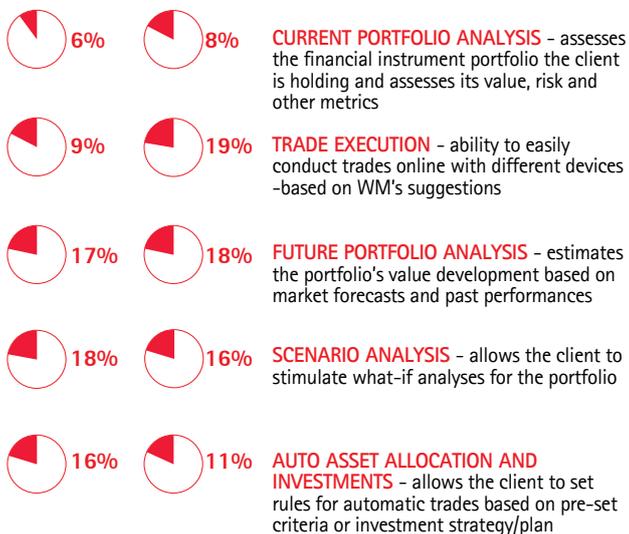


Figure 14: Willingness to pay extra for personal financial management features

As with other findings, while respondents see these tools as more useful than personal financial management, an overwhelming majority of investors are not willing to pay extra for them. Among those who saw these features as a relevant part of the service, 6-19 percent could pay an extra fee for the features, which is a higher share than for personal financial management features, but still less than one-fifth (see figure 14).

LACK OF LOYALTY: THREAT AND OPPORTUNITY

Our research shows that Nordic investors, especially those under fifty, are prepared to switch their wealth manager. In fact, 49 percent of under-fifties and 36 percent of 50+ generation have sought financial advice outside of their current wealth manager within the last two years (see figure 15). This represents both a threat and an opportunity.

A lack of loyalty to any particular provider means all Wealth managers have a chance to grow market share provided that they offer a superior value proposition. In fact, nearly a quarter of under-fifties who switched to a new provider did so in order to access digital tools or services that their previous wealth manager was not able to provide. In addition, 80 percent of under fifties say they are interested in learning more about investing. This offers an extremely lucrative opportunity for wealth managers to create services that give investors access to information as well as convenient and personalized service that can help them better manage their wealth.

SHARE OF THOSE WHO USE WEALTH MANAGERS AND ANSWERED STRONGLY AGREE OR SOMEWHAT AGREE

50 YEARS OR YOUNGER OLDER THAN 50 YEARS

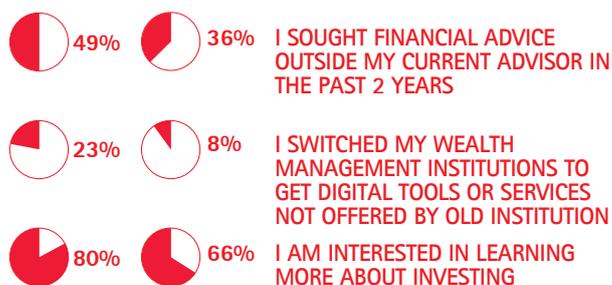


Figure 15: General question about wealth management and investing

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About the Nordic Wealth Management Study

In 2016, Accenture Strategy conducted a survey of 600 investors from around the Nordic region. Respondents had 50 KEUR–10+ MEUR in liquid investable assets and were located in Denmark, Finland, Norway and Sweden. For a more in-depth understanding of the methodology, contact the authors.

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