RISE OF THE NEW WEALTH PLATFORM

How collaboration will drive innovative wealth platforms
The wealth management landscape is transforming—driven by the modern investor who insists on a new experience. An investor who requires humans and technology to work together, seamlessly.

**What does this landscape look like?** Human and digital-led advice, delivered via a hybrid model. Evolving channels and products—the entire scenario increasingly powered by data-driven intelligence.

Delivering this transformed client experience requires a new platform; one that is flexible enough to support a spectrum of advice.

Contrary to the past, today’s wealth firms must rely on a bevy of tech-savvy ecosystem partners. They cannot be differentiated solely through internal technology and custodial relationships with wealthtechs. The firms who are "in it to win it" are already focused on retaining critical differentiation, while orchestrating a broader set of wealthtech partners.

Tomorrow’s leaders will rely on partnerships to help them continuously innovate. This innovation will deliver differentiated, personalized client service on demand.

This is the new wealth platform.
FIRMS MOVE FROM INSULAR TO INVOLVED

Traditionally, wealth firms have kept things simple—serving clients with a dedicated advisor-led proposition, stable products, and technology that evolved incrementally.

That scenario no longer spells success due to the industry’s structural shifts. With changing demographics, evolving investor behaviors and new industry economics, wealth management companies now need to transform the client experience in a digitally scalable way. To differentiate a successful hybrid proposition, innovation driven from the wealthtech ecosystem is an essential part of the mix.

Wealth firms cannot transform alone. The pace at which they launch and evolve platforms—along with the new technology capabilities necessary to innovate—compel some degree of partnership. This is true in many industries, and is reflected in the rise of partnerships. More than one-third of firms are working with double (or more) partners than they were just one year ago.¹

For years, the fintech market has disrupted traditional financial services companies through unbundling and differentiating across the value chain. Now, the wealth management sector is using that disruption to its advantage. A survey of U.K. financial services providers found that 87 percent cut costs by partnering with fintechs, while 54 percent increased revenue.² Within the fintech sector, wealthtech has been a recent growth area—representing $655M in 2016 investment³—on pace to grow up to 25 percent over 100 deals in 2017.⁴
FOUR KEY AREAS OF FOCUS

Our experience shows the wealth platform of the future will be defined by four major areas of investment: Engagement with wealthtech providers, applied intelligence, new lightweight architectures, and operationalizing ongoing innovation.

How do you cut through the noise to drive relevant differentiation? While the right partner can become a critical source of innovation, many wealth management firms have struggled to navigate the landscape efficiently. Despite this struggle, many firms have begun their journeys. Those not already underway might find themselves behind the curve. For example, J.P. Morgan has hired and taken a stake in InvestCloud, a software company that makes online transactions easier for customers. The asset manager—BlackRock—has acquired FutureAdvisor to partly help it make a dent in the 401k market. And the Americas wealth unit of UBS is partnering with online financial advisor SigFig Wealth Management to develop technology and investment tools for the Swiss bank. As your firm seeks the right ecosystem partners, it is important to engage an experienced expert to de-clutter the landscape—identifying which providers would best serve your needs. We are working with numerous clients to do just that.

Advice propositions requiring increased personalization and diverse interaction mean wealth managers must not only find a way to better capture data, but also drive deeper insight to target client desires at scale. Nearly 80 percent of respondents to a recent Accenture study estimate that 50-90 percent of their data is unstructured. Structuring data is the first step to leveraging applied intelligence in your value proposition. By using analytics, machine learning and artificial intelligence in a potent mix, companies could unlock the trapped value of their data, and drive new growth. Leading firms recognize this potential and are already making meaningful investments. Capital market firms’ AI spending from 2016 through 2021 is expected to rise by 50 percent, reaching $57.6B by 2021.
Monolithic technology cores—clearing platforms or custodian partners—are still the foundation of most wealth architectures. However, what once spelled power now imposes constraint. Wealth firms are executing a “digital decoupling” to provide the agility they need. Riding the wave initiated in digital banking, these firms are abstracting the core back office—employing lightweight architectures driven by application programming interfaces (APIs) and microservices. Doing so increases their development speed to market, whilst freeing their core systems to execute clearing and custody at scale.

Microservices are not a type of technology, but rather an approach to IT architecture. By using a suite of tools like APIs, containers and cloud, microservices break applications into simple, discrete services.

APIs are at the heart of technology-based partnerships, which is why microservices are so critical to any business looking to build partnerships at scale. APIs are the pathways by which businesses make services and data available to partners.

APIs are built down to the level of individual services. The result is a library of APIs—mapped to specific services, covering every part of each application—all of which can be made easily available to potential partners.

Leading companies have already jumped ahead with microservices transformations, starting the clock for those that hope to keep up. Notable digital-born companies, such as Google and Netflix, are pioneers—every Google search calls more than 70 microservices to generate results—but they’re increasingly joined by other industry leaders like Comcast and Capital One. In fact, 95 percent of IT executives we surveyed report that their organization’s use of microservices will increase over the next year.

Source: Accenture 2018 Technology Vision
The future wealth platform

The future wealth platform requires a set of capabilities to come together and deliver personalized client service and experience.

DIFFERENTIATED HYBRID ADVICE EXPERIENCE

*Powered by wealthtech providers*

- Robo advice
- Partially assisted
- Virtual advisor
- Dedicated advisor

Data driven intelligence

- Data foundation
- Rich client profile
- Analytics
- Insight delivery

Lightweight architecture

CORE RECORDKEEPING

- Clearing & custody
- Trust & other record keepers

Operationalized by ongoing innovation

Source: Accenture
By investing in these four areas, wealth managers are reengineering to create the differentiated advice and experience that clients demand. Gone are the days when stability and operational efficiency alone could drive technology investment. Executives now rank designing a comprehensive customer engagement strategy—one that addresses both digital and physical channels—as the top contributor to operational agility.10

Today’s investor desires a holistic financial engagement. The investments and partnerships that established firms will create in the digital realm will hopefully meet this desire. Digital decoupling from crippling legacy systems is the top requirement of a true digital competitor.

As incumbents transform their own wealth platforms, many will likely stall due to the sheer size of the undertaking. Focusing on delivering value over multiple waves of change throughout your journey, will minimizing the impact to your core business. As Accenture helps wealth management firms around the globe create their new platform, we see several crucial first steps to ensure you are truly transformative.

**First Steps**

**Thoroughly understand and engage the ecosystem.** Understand the breadth and depth of the ecosystem specific to your needs. Know the capabilities unique to you, and narrow your provider list. Focus on enterprise-ready players that can go to market with you effectively, and partner with leadership teams that will continue to drive innovation.

**Focus on three key areas of investment.** Invest in ecosystem leaders who differentiate in customer experience, data and analytics, and emerging technology. Own your customer experience. Retain control through the functions you do well. Invest in partners who will drive innovation and scale for your needs.

**Balance flexibility with scalability and sustainability.** While aiming for the flexibility inherent in a startup, ensure you do not sacrifice scalability or sustainability. In a constantly shifting digital world that has redefined what it means to be "long-term", you should be planning for the indelible future of your organization.

The new era of wealth management is all about partnership—not only with clients, but an entire ecosystem of digital providers. Both are key to providing the personalized service investors now demand.
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