Wealth and Asset Management Services Point of View

New Realities, New Approaches
Changing the Client-Advisor Relationship in Wealth Management

High performance. Delivered.
Two major trends—the changing nature of clients, and shifts in the competitive landscape—are re-shaping the playing field for wealth managers.

These trends will force wealth management companies not only to develop new approaches for dealing with clients, but to re-think their relationships with their own advisors. Some firms may seek to evolve or even abandon their traditional full-service, agent-based sales model and revisit the basic value proposition offered to clients. Those that are committed to maintaining advised relationships in the face of these new realities will have the opportunity to take advantage of the need for advice, which has perhaps never been higher.

Wealth management firms that succeed in this new environment will need to have a deliberate strategy for the client/advisor relationship: They will replicate and scale winning behaviors of the best advisors, creating a new value proposition that will resonate with the investors of the future.

Changes in client expectations

In an earlier time, the client/advisor relationship was based on the advisor’s near-monopoly on financial information. “Do it yourself” options for portfolio management and securities trading simply did not exist. Now, firms such as Schwab, Fidelity, TD Waterhouse and many others have added multiple capabilities to help clients direct their own course, including fairly sophisticated planning tools and even risk metrics, providing less-expensive alternatives to a full-service relationship. Players have also made products more available through various forums—clients must no longer rely on advisors for access to private placements, new issues and other vehicles.

While clients’ knowledge and sophistication about financial products is increasing, clients—conditioned by their experiences outside the wealth management industry—have also grown to expect 24/7 access to advice and service along with tailored interactions and solutions. In the past, direct channels were designed for lower asset classes. Now, as clients graduate to higher wealth tiers, some are realizing that they prefer to remain served through direct channels. Firms wishing to offer a distinct value proposition are now equipping advisors with fully mobile, interactive, integrated proposal tools incorporating scenario-based planning. Mostly clients are looking for control and to diversify the sources of investment advice, as well as lower the overall cost of that advice. There is a large segment of clients that will look to advisors for that advice, but they will do so equipped with more information and less loyalty.
New competitors

The wealth management landscape is becoming more crowded as players from adjacent industries enter the space. All financial institutions are trying to create a competitive offering within the context of ‘holistic financial services’ and ‘leading with advice’. They seek to leverage significant capabilities and extensive existing relationships, built-in private banking, brokerage and asset management, insurance, and retail and commercial banking.

Universal banks are taking advantage of their existing distribution channels, breaking down business lines and pursuing integrated wealth management strategies. Many are looking to tap the potential within the in-branch planning business and to coordinate the go-to-market strategy for wealth across traditionally siloed business units.

Insurance companies are focusing on wealth management by leveraging their brand and presence, using new distribution channels to gain a greater share of wallet, and retraining and repositioning their agent forces to sell higher-margin wealth management products.

Pure-play direct companies are increasing the sophistication of their offerings, increasing the role of licensed advisors, and introducing advice-based services to a new generation of investors with different expectations.

Non-financial firms are moving into the wealth management space by focusing on pure product distribution and content aggregation. This allows clients, especially those interested in simple packaged products, to skip the advised relationship.

Increased competition puts pressure on wealth management firms to teach advisors new tricks, and to equip them with better tools for customized interactions with clients. Firms that can go a step further in creating an exceptional digital and integrated multi-channel experience will gain additional advantages.
Scaling capabilities through a sophisticated advisor platform

Wealth management firms seeking to achieve and sustain success in an advisor-led model can explore a wide range of strategies to enable collaboration, improve process efficiency, and support stronger relationships.

Tomorrow’s best advisors will interact with clients through channels of the client’s own choosing. They will share best practices with the firm and with fellow advisors. Firms will leverage technology to reduce risk, improve compliance and get out of the way of the selling process, with the ultimate goal of deeper client relationships and more productive advisors.

Our work with wealth management clients has led to the development of four major courses of action for delivering a tailored client experience at scale.

1. Address the proposal process. A fully interactive, integrated and dynamic proposal tool set can guide advisors to have the right conversations, which are both client-centric and goals based, in a transparent and tailored fashion. The goal will be to meet a new set of client expectations, while decreasing the preparation and guesswork required. Many firms continue to reconsider point solutions or single processes, like new account opening, but the winners will revisit advice led sales and enable both clients and advisors to customize the conversations unencumbered by paper.

2. Equip advisors with the ability to understand what the client needs. The best advisors understand their clients’ needs and intentions, then ‘work the system’ to tailor solutions to help clients. Wealth management firms that systematize this ability—using client insights to customize solutions—will be able to deliver unique client experiences and differentiated service. Their insights into client preferences and behavior will enable the delivery of a relevant value proposition. In addition, they can expand upon this base of knowledge to offer holistic wealth solutions, encompassing areas such as tax, estate and retirement planning.

To accomplish this, wealth management firms must focus on needs-based segmentation, moving beyond segmentation based on asset class or a single demographic, and analysis that can give advisors the information and techniques needed to tailor experiences at scale.

3. Integrate mobile and social. Mobile technology and social media are not new and need to be factored into the next generation of the advised experience. Rather than experimenting with disconnected surface-level mobile or social strategies, firms should focus on developing designed client and advisor experiences inclusive of digital capabilities. Mobile access to client data, along with interactive technologies, can enhance client experiences while scaling tailored service delivery. Similarly, tablet technology can untether advisors, bringing them to their clients wherever they are. Firms using these technologies add a human element to digital interactions. Technology can also make advice accessible across channels and increase the firm’s “bench strength” by making knowledge and advisors more accessible throughout the firm.
Automated and guided processes can make it easier for advisors to sell and service, freeing up their time for meaningful client interactions. The majority of advisors and sales support teams operate today at less-than-optimal levels because of inefficient processes, clutter and complexity. The aggressive shift away from paper and towards intuitive and straight-through processing will drastically improve the advisor and the client experiences.

Analytics, insight-driven intelligence and interactive tools can help advisors focus on the right activities and opportunities. We believe there is untapped opportunity "in the middle of the value chain", with many firms focusing their digital investments on branding, marketing and acquisition only, when huge costs can be driven out of servicing. Moving to new advisor and client service models that take advantage of new technology, rather than automate legacy dysfunction, will free firms to cut costs drastically while still providing high quality service.

4. Bring the private banking model down one wealth tier. Combining tailored advice with teaming capabilities positions the advisor as a one-stop-shop for a complete set of financial services. What has worked so well for the ultra-high net worth (UHNW) segment can be replicated at scale with a focused approach to collaboration, teaming and client service excellence. Determining the right way to break down traditional business unit boundaries to maximize enterprise experts remains a challenge.

Incentives need to promote collaboration and teaming behaviors and work for the enterprise and the advisor. These structural, organizational, and go-to-market model issues are worth addressing to create a compelling value proposition. Universal banks and those with strong UHNW offers will be best positioned to leverage technology to augment their advisor channels and differentiate based on this value proposition.
Do not ignore direct offerings while addressing advisor distribution channels

For an increasing proportion of client segments, the next generation of direct offerings will be a viable alternative to a full-service, advised relationship.

Direct offerings, in fact, are becoming increasingly sophisticated, offering holistic advice in ways that resemble the full-service experience, but at a lower cost. In many cases, these experiences are more consistent with how clients would prefer to engage. Moreover, firms that provide direct offerings are at an advantage when it comes to delivering a tailored customer experience at scale.

Direct offerings are moving "up the food chain" and the next wave of such offerings will serve not only the mass affluent but the high net worth (HNW) and even the ultra-high net worth (UHNW) segments, with the potential for displacing current advisor relationships. Firms that have multiple types of offerings (e.g. both direct and advisor-driven) should be thinking about how to optimize their offerings to benefit the enterprise. To remain relevant to clients, wealth management firms will need to provide digital experiences that not only complement advisor-led relationships, but also equip advisors with the capabilities to provide tailored service at scale.

In short, wealth management firms no longer have the luxury of investing either in advisor development or in digital capabilities. Instead, they must integrate the digital experience into the overall advisory experience, supporting the advisors’ role while training advisors to use the digital experience to expand and improve their level of service.

Top advisors at wealth management firms will adapt to changing client expectations and new competitive forces by doing what they already do best and showing clients that they can provide value beyond that of direct channels. They will provide high-touch, client-focused advice that reinforces their understanding of clients' financial needs, use tools and systems to increase productivity, and collaborate both internally and externally to build solutions that are tailored to their clients' personal preferences as well as meet their financial goals.

Today's top-performing advisors have developed personal, successful strategies and tactics. However, those best practices are not scaled across all of a firm's advisors, including middle-tier performers. Wealth management firms must understand the best practices of those at the top, then work to leverage such practices throughout the broader advisor network. Firms should consider how to provide advisors at all levels with the tools and capabilities needed to deliver a branded, valuable and distinctive client experience.

It will be clients who choose how to interact

Clients increasingly understand what they are paying for and what their alternatives are in wealth. They will seek out the experiences and value propositions that most suit their preferences and firms should be tuned in to those preferences or they will see clients vote with their feet. Traditional indicators, such as asset class, age or gender, will not be effective ways to predict these preferences and many clients will seek to augment traditional advisor relationships as a matter of course.

High-touch channels remain the most important element in building client/advisor relationships. The perception of direct channels is evolving rapidly, however, and firms should exploit new opportunities to introduce a "human element" into what have traditionally been low-touch channels while leveraging advisors across a variety of offerings. Top firms will help advisors reinforce relationships, regardless of the communication channels selected by the client, providing a multi-channel integration that includes the advisor and reinforces the existing relationship. The mix of channels used should be intentional rather than accidental, and designed to match client preferences. Firms must adapt "on the run" strategies to integrate mobile and social media applications and begin to explore video-based collaboration with their clients and colleagues. Underpinning this scalable experience is centralized client and transaction data accessed by all channels to ensure consistent messaging.
Conclusion – Building a better framework for wealth management

Major demographic changes in the target wealth management audience—accompanied by significant changes within the advisor force—mean that wealth management firms should review their value propositions and their strategies for going to market.

Sticking with the status quo will not be an option, and some firms will be unable to commit to their current advisor model.

With all this change across wealth management, advice is as important as ever. There is no doubt that advice led distribution will remain a key focus for many firms and that the client/advisor relations will evolve and remain important. Strategies should be developed to help firms differentiate by building on their current strengths. These strategies should consider how the firm will:

• Satisfy client expectations for a customized experience, shaped by other industries that have previously faced a similar paradigm shift, such as online retailers

• Institutionalize and promote the practices of top performers

• Address the proposal creation and meeting preparation activities to make highly tailored experiences available to a broader range of client segments, while cutting preparation time

• Increase customer intimacy through branded and customized client experiences, intended to result in higher prospect-to-client conversion and higher lifetime value of relationships

• Build capabilities to make the advisor a one-stop-shop for a complete set of financial services, including tax, estate and retirement planning

• Complement face-to-face with self-serve interactions, providing clients with advice when, where, and how they want it

In this environment, firms that fail to act quickly and decisively run the risk of potentially losing clients who have become less loyal, more sophisticated, and much more willing to question the core value proposition of their advisors. By the same token, firms that support their advisors with the right tools and processes—providing the guidance, support, and technological foundation to adjust to market changes and changes in client behaviors and preferences—should be well-positioned for success.
Contacts

Alex Pigliucci
Accenture Wealth and Asset Management
Services, Global Lead
alex.pigliucci@accenture.com

Mark Halverson
Accenture Wealth and Asset Management
Services, Sales and Distribution Lead
mark.a.halverson@accenture.com

Kendra Thompson
Accenture Wealth and Asset Management
Services, Canada
kendra.thompson@accenture.com

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 323,000 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$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.