Adapting wealth management for a BigTech world

David Wilson, Head of Asia Wealth Management in Singapore for CapGemini, spoke at the Hubbis Digital Wealth Forum held in Singapore. He led the charge for wealth managers as they face the encroachment of BigTech.

Link to Partner Profile
Link to Article on website
Link to Event Homepage
Link to Content Summary page
Link to Photos
Link to Video Highlights

Executive summary

David Wilson, Head of Asia Wealth Management in Singapore for CapGemini, spoke at the Hubbis Digital Wealth Forum held in Singapore. He cautioned that although the financial environment has been offering high returns, not enough high net worth investors were satisfied with their wealth managers. The rise of BigTech and consequent encroachment into wealth management is now inevitable, and Wilson advised wealth management firms to consider collaboration as the best way to stay afloat in what are currently more volatile times. Adoption of hybrid digital advice technology is also imperative to keep high net worth individuals satisfied with the offerings of the wealth management community. If technology and collaboration are deployed successfully, Wilson predicted an encouraging future for all involved, especially in Asia, where wealth is growing so fast.

CAPGEMINI WAS FIRST ESTABLISHED 50 YEARS AGO and is now a global leader in consulting, technology services and digital transformation, at the forefront of innovations in the evolving world of cloud, digital and platforms.

In his role as Head of Wealth Management at Capgemini, Wilson explores changes in target markets across regions and segments, analyses the business considerations required to adapt to competition and compliance, and advises on operational efficiency, emerging markets and technologies.

DAVID WILSON
CapGemini

"Competition in the future is likely to be very different, especially in Asia, but we need to understand how it will transpire," Wilson began. Hot off the press are the findings of the 22nd Annual World Wealth Report. Wilson presented some of the highlights.

"I will start with some good news," he said.

"Looking at the evolution of the high net worth sector in the last 12 months we can see that Asia is already number one, with some US$21.6 trillion in wealth. Asia accounted for 41% of the total new net wealth created globally and was also the fastest growth region, rising by 15%."

Great investment performance, poor feedback on wealth managers

From the information provided by 2500 high net worth (HNW) individuals included in the survey across 19 different markets, the past two years have clearly been excellent for investors' portfolios with their wealth management firms.

The numbers show 33% returns for Asia in the calendar year 2016 and 32% in 2017. "It has been a very positive environment over the last couple of years," Wilson concluded.

However, the report also indicated some less positive news. "When we look at the level of satisfaction that 2500 HNW clients felt about their wealth management firms across those 19 markets," Wilson continued, "they are only scoring them 62% on average." This is despite it being one of the best periods on record in terms of investment performance.

Can hybrid advice be the vital tool?

"So, what can be done?" Wilson asked rhetorically. "The gradual integration of hybridisation, meaning the blending of automated digital advice with human relationship managers, is both a solution but a problem," he explained, "as the speed of development is just not keeping up with demand."

Indeed, the survey showed that 68% of HNW investors in Asia-Pacific want this technology, and although firms are transforming and putting these hybrid programs in place, the pace of change is not fast enough to keep up with customer expectations.

"This slow development would be tolerable if the world were in a steady state," conceded Wilson. "However," he warned, "looking at the competitive landscape and what is forecast over the next five years, it becomes imperative to get this in-demand technology up and running as soon as possible."

BigTech spells big trouble?

"The reason for the need to rush this through as fast as possible is that the BigTechs are waiting," elucidated Wilson. "The overwhelming majority of the HNW individuals surveyed in Asia-Pacific, 80% in fact, said that they would consider having a portion of their wealth managed by a BigTech company."

Modelling that data suggests that when the $70 trillion in global financial wealth is divided up accordingly, $12 trillion could be going to the BigTechs, with $4 trillion of that coming from Asia. "This," Wilson warned, "is a wake-up call."

So, what is the timescale of this encroachment? "There is going to be a gradual advance at first; 30% of HNW individuals surveyed agreed that they would start using BigTech investment solutions for a portion of their wealth management within three months," Wilson said, "which then translates to 87% within 12 months."

Barriers for Big Tech

Wilson then suggested how wealth management firms can cope with this market invasion. "BigTech firms will be looking to acquire wealth management expertise, so perhaps partnership is the way forward, in other words keeping our enemies close," he quipped.

Although the rise of BigTech is inevitable, there are still obstacles in their path. "Clearly there is a lot of work to be done by these companies in terms of adding holistic private banking functionality," said Wilson, "as well as considering investment execution capability, reputation, regulations, services, specifications, costs, data security and privacy."

Collaboration and hybridisation to beat the odds

Wilson reminded the wealth managers in the audience that it is not time for doom and gloom.

"There is still time," he offered. "Asia is the fastest-growing market and that growth is set to continue. There is enough wealth out there for everyone!"

Wilson concluded the presentation by reminding the audience that adopting hybrid digital technology as well as considering partnership with BigTech will both be important in the fight to stay afloat in these times of rapid change. ■