



BCG areas for action – part 2: sleepless over fintech?

By following five simple steps, fintech becomes an inspiring source of opportunities, rather than remaining a cause for sleep deprivation. By Kees Stoute

In this second article following BCG's Global Wealth 2016 report, I'd like to contemplate the second area identified for action: accelerating digital innovation.

Digitisation and fintech seem to be the buzz-words of today. While it is essential to think about technology, there is a downside: we may be creating a panic atmosphere.

From 2012 to 2015, for example, the number of fintechs grew by 122%, whilst the fintech funding during that period increased by a staggering 267%, to almost USD5 billion.

Further, 97% of respondents in the BCG report express a commitment to invest in digital transformation, but many say they don't know where to start.

This smells like panic – which, of course, is bad news; at such times, humans tend to become more irrational than usual.

So how can we deal with this feeling of missing the boat, but not knowing which one? I'll make a cautious attempt.

Step 1: Stay CALM. Take a deep breath

Step 2: Analyse the fintech innovations
If we examine the hundreds of fintechs,

what are they really doing? It seems safe to conclude that the 'disruptors' have an impact on wealth management in several ways: more accessible to larger parts of the population; more transparent; more convenient; more personalized; more social (eg. social trading platforms enabling investors to follow and connect with other investors); more global, less local; and more efficient (ie. less costly) for both clients and wealth managers.

Step 3: Analyse how innovations impact the way you currently work

If you operate in an area of wealth management that is increasingly becoming commoditised – and thus cheaper – the more fintech represents a threat to your livelihood (and a little panic is justified).

On the flipside, the more you are focused on adding real value – for instance by helping your clients to align their wealth with their lifestyle and life goals – the more this technology can help you to become even more efficient and effective.

Step 4: Define your digital strategy

Based on the above insights, it should be feasible for you to define an appropriate strategy by answering two questions:

- Are you going to adopt state-of-the-art technology to: i) make it cheaper and more convenient for your clients to continue to make bad or incoherent investment decisions; and ii) compete on price with an ever-increasing number of competitors?
- Or, will you decide to focus on adding real value, ensuring that latest technology complements your value-adding services, enabling you to successfully operate in the commercial sweet-spot of our industry?

In line with this, it may help to emphasise that most wealthy individuals lack the knowledge, experience and time to:

- Assess whether they have enough for what they want in life
- Manage their assets professionally
- Deal with wealth and business succession planning
- Protect their assets in the most efficient and effective manner
- Etc

Step 5: Implement your strategy

Once the strategy is defined, we go to Nike for inspiration: *just do it.* ■

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