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Embracing Digital for Successful & Sustainable Wealth Management in Asia

Hubbis hosted the latest in its virtual thought leadership discussions in early September when a panel of experts assembled from different quarters for an off-the-record discussion titled 'Embracing Digital for Sustainable Wealth Management'. The event was co-hosted with Avaloq, Red Hat and Intel, with Imad Abou Haidar, General Manager and Head of Asia at Avaloq, and Vincent Caldeira, Chief Financial Services Technologist, Red Hat taking prominent roles in the debate, 'alongside' senior management at leading wealth managers from SE Asia. The mission was to delve deeply into how the wealth management community can improve their digital platform and capabilities, how they can boost the skills and capabilities of their client-facing bankers, how they can boost the client's user experience and, amongst these initiatives, how they can reduce costs and enhance efficiencies.

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Key Observations

Digital preferred has today become digital-only

An expert commented that the pandemic had converted would-be technology and digital customers and the end clients from digital preferred to digital-only. Accordingly, a lot of work was being done in the region, making sure that financial institutions are supported in becoming embedded in understanding their customers and their needs, as well as their day to day lives.

Differentiation & personalisation are top of the agenda

Asia's clients, from the mass affluent to the very wealthy, are increasingly seeking financial advice that is highly relevant, and personalised to their needs and their contexts. A key challenge for the wealth community is delivering advice and solutions with seamless digital connectivity.

The pace of digitalisation has accelerated

The huge technological advances and client-driven digital adoption that have been taking place in the private wealth management industry in recent years have accelerated during the pandemic, especially across the mass affluent market segment, where clients are somewhat younger and very tech-savvy.

The need to modernise the core and layer on digital channels

A key challenge for the banks is in modernising the core banking and integrating it with the many new digital channels available. Leading vendors, therefore, need to adopt new architecture to support their customers' digital journeys in the wealth management space.

Great thought required to integrate existing businesses and revenue streams

Very often, an established bank will have various businesses all operating somewhat independently, but to achieve wealth management across all these sectors and segments, well-thought-out digitalisation should be central to that effort.

End-clients are adopting digital more readily

End clients in Asia are increasingly willing to adopt digital, especially since the pandemic hit and preferences gave way to necessity.

The RM can and should be central to the wealth proposition

The RM can, and possibly should be central to the digitisation journey, with the aim of delivering better information to them and more easily, helping them deliver through various channels from anywhere at any time, and enhancing the RM's capabilities to transact for clients, also anywhere or any time.

Don't experiment with the customer, experiment with the RM

Another specialist commented that the safest way to smart digitalisation is to start with the RM, not the customer, as that is a more progressive way, avoiding experimenting with the end customers.

Virtual advisory really is a possibility today

Leveraging digital resources and solutions, it really is possible to boost the virtual advisory proposition, which is especially vital for two reasons – the pandemic has impeded travel to the HNW and UHNW clients, and there is a drive to democratise wealth management across different segments of wealth across the region.

But prospecting for new clients remains a major challenge

Nevertheless, where digital cannot provide the answers is in the realm of new client prospecting, as nothing beats the personal connection between the RM and the HNW and UHNW clients. Once up and running, digital can, at least for the moment, substitute for personal engagement, but winning new clients remains very tough.

Digitalisation can translate to wealth democratisation

Also on the theme of the spread of wealth management solutions and serves across the length and breadth of middle-class Asia, a banker commented that digitalisation leads to the democratisation of wealth, and that the traditional lines between segments of wealth are becoming more blurred, as less wealthy clients are able to obtain asset allocation and advisory services digitally that would have previously been the purview only of the HNW and UHNW clients.

A far lower entry price to wealth solutions

A guest remarked that the typical private client with USD100,000 to invest could today obtain digitally the types of personal advisory input and portfolio allocation guidance that only a few years ago would have been only for the USD5 million and above category.

Marrying old and new technology and systems remains a major challenge

A major challenge for the bigger banks remains the marrying of legacy systems with new technology, which can be expensive, difficult and cumbersome if not approached properly.

The right vision of how to assemble solutions is essential, so avoid the silo approach

Organisationally, the banks must work collaboratively internally and with a clear vision and roadmap, instead of trying to cobble together often incompatible technologies. Those customers that are most successful in adopting digitalisation actually have a platform approach, looking across businesses and operations.

Tech companies should be proactively agile as well

While the financial institutions are transforming and see the need for transforming, so too, technology companies should be able to proactively transform as well. Vendors should not only provide their core solutions but also be able to work with other FinTechs and solutions providers to layer on top other best of breed digital experiences for their clients.

Open source is part of the open road ahead on the digital journey

A major opportunity is, therefore, the more widespread adoption of open source technology to solve common problems, thereby leveraging agility and delivering services without impacting the core.

To build on the democratisation of wealth management, costs need to be spread across a wider base

Another guest agreed, noting that to democratise the private banks need to address their costs of providing their services by extending outwards, and across the other business lines, exploring new revenue sources, whilst also keeping costs under control.

Data is the new oil

A senior banker remarked how vital it is to assemble, curate and leverage data, something the wealth industry has been weak at historically. Data-driven ideas, solutions and decisions are therefore increasingly vital to the proposition.

Remember, digital is just a set of tools, the relationship is still paramount

Wealth management providers must not get too carried away with digital; they need to remember that the core of private banking and wealth management is the relationship, even if the pandemic has somewhat obscured that reality for the time being.

Avaloq's solutions and its service

Imad Abou Haidar opened the discussion by offering a few words on Avaloq. "We are the number one financial technology and services provider in the wealth and private banking space, originally from Switzerland, and headquartered in Zurich," he reported. "We develop and provide, and in more and more cases operate as a SaaS or BPaaS and end-to-end digital solution for wealth management and private banking. The Avaloq Banking Suite is used by more than 150 banks worldwide. What differentiates us is we do not only deliver our software on premise, but we also deliver it as a service, operating the software on behalf of our customers. When delivered on premise, the Avaloq solution is implemented within the firewalls of the bank, and when delivered in a SaaS (Software as a Service), or a BPaaS (Business Process as a Service) model, we would take over whole segments of activities from our customers, and we would deliver them back in a highly efficient, industrialised and cost-effective manner."

He added that Avaloq has been present in Asia for more than 10 years, moving into the region working firstly with core European customers, such as Pictet, Vontobel, HSBC before winning DBS as the first Singaporean customer. In the last four to five years Avaloq has been focusing more broadly within the wealth management market of Asia, working more and more with regional leaders who are strengthening their position in private banking, and looking at addressing the needs of the growing mass affluent segment.

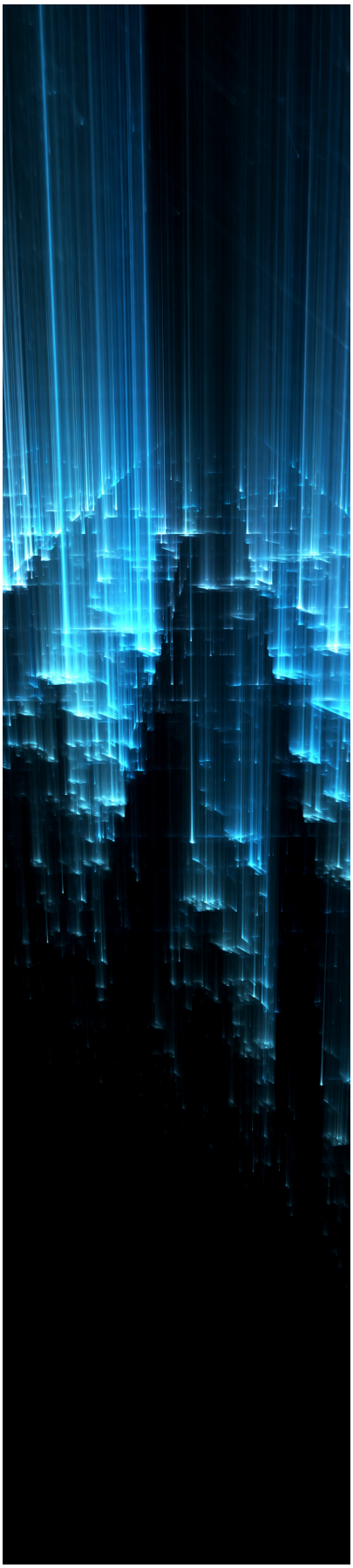
"Welcome to you all, thanks for joining this virtual discussion, and welcome also to our friends at Red Hat, who will say a few words of introduction as well, before we start in earnest."

Red Hat's call for agility

Vincent Caldeira then explained briefly that Red Hat is a technology provider that works with leading vendors such as Avaloq to help their bank and other clients integrating their core banking with their preferred or desired digital channels.

"We know that core banking is a very foundational system by nature, but what your customers really want is to have differentiated financial advice that is personalised to their needs and their context," he observed. "They also want to retain the human touch and the access to your relationship managers and personalised advice when needed. So, what we find is typically, one of the biggest challenges our customers face now is aligning these needs and expectations, while recognising that traditionally the core banking function has been very much internal facing."

Accordingly, he explained that vendors such as Avaloq have embraced the idea to adopt new architecture to benefit from distributing system components, and thereby enable delivery in terms of agility, and better support their customers' digital journeys in the wealth management space. "That is why we partner at the engineering level with providers such as Avaloq," he said. "We try to really do our best to empower their teams to deliver software better in partnership with their customers."



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and the ability for the private banks and independent wealth management firms (collectively henceforth 'IAMs') to offer a wider range of products and services to a wider range of the population.

"There is no doubt that Asia is at the heart of this transformation from two perspectives," he said. "First, the technologies already in place in Asia and secondly, the tech-savviness of the wealth market customers we serve. And the two key drivers are the rapid growth of Asia's wealth and demographics, and then technology transformation, with banks and IAMs for the first time facing new entrants who are enabled by and very focused on technology."

Building from the core

Another expert commented that a key challenge for the banks is in modernising the core banking and integrating it with the new digital channels. "Your customers want to have differentiated financial advice that is personalised to their needs and their context; they also want to retain some human touch and access to your relationship managers and advice when needed. Accordingly, one of the biggest challenges our customers face is how to align these demands with how traditionally the core banking function has been delivered to be very much internal facing. So, what is needed is for vendors to adopt new architecture to support their customers' digital journeys in the wealth management space."

A senior banker then explained some of the challenges his bank faces in integrating what in the past were separate entities and businesses into more of a full-service private banking and wealth management platform.

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Accelerating the digitisation

An expert then opened the main discussion by acknowledging the massive technological and market-driven changes in the private wealth management industry in recent years, and how the pace of digitisation has even accelerated during the pandemic. He pointed especially to the mass affluent market segment,

Necessity - the mother of invention

"The bank, the securities business and the investment side, these three pieces, all managed independently in the past, need integrating," he said. "In the future, therefore, aside from the commercial banking and investment banking, we will have a full wealth management division, and digitalisation is central to that effort. The journey has been ongoing for some years already, but the pandemic has accelerated a lot of those plans, with more money also directed to this, and away from travel, entertainment and so forth. Necessity is the mother of all invention and adoption. We are certainly accelerating our efforts in these areas."

He added that clients are increasingly adopting digital as well. "Probably six months ago some people said e-delivery is fine for their statements and others still want their printouts," he remarked, "but we have seen more clients convert to the digital way of receiving their financial statements. Digitalisation is going to be a very big part of wealth management."

Focusing on the RM

A colleague from the same bank agreed, adding that the bank had been making greater efforts to training the RMs to become more efficient in their delivery of ideas and solutions, communicating more effectively with the customers, whom themselves are increasingly adopting digital. However, she also acknowledged that regulations still require stringent validation and confirmation in those areas that are highly regulated.

Another banker, from Singapore, then explained that they enjoyed a head start in customer engagement as a retail bank, but that the focus since early 2019 had been more on the digitalisation journey around the RMs. "The clients we are targeting have a wealth of around USD10 to USD20 million and ages around 50 to 60," he reported, "so actually there is not really a pressing need for them to be on digital platforms, and that is why I pivoted the focus onto our RMs."

Building the RM's capabilities

He explained that he has focused on three areas - how information is made available to the RMs, the value of various channels within omnichannel, and enhancing the RM's capabilities to transact anywhere, any time.

A banker from Malaysia then explained that their bank had been investing significantly in digitalisation. One key focus has been for the front line of RMs, helping them maintain their remote capabilities across all products and multiple channels based on the client's convenience, which could be digital, or a hybrid, phone and email-based execution methods. "Some clients are just not comfortable going onto a platform and engaging and executing trades," he explained, "as they have this big fear that if they do open an online account or an online app, somebody will take their money away. So, for them, they prefer talking to us on the phone and having a recorded conversation than going through the digital channel. And using platforms like Zoom, we use BlueJeans, we are able to screenshare and show content, so we have found that virtual advisory has picked up in a very big way, both one-on-one sessions as well as broad-based webinars sessions."

Another banker then focused on the RM ecosystem, making the RMs more efficient, noting that there are advances for example in voice to text technologies to help speed up post-discussion call notes for compliance and audit, AI and machine learning, analytics to help boost recommendations. "It is about how to empower the RM in real-time," he observed, "including even facial analysis tools to read behavioural feedback from the video discussions. In short, there are some real advances now being stepped up, including the conversion of ideas to transactions, and digital documentation and so forth."

Working hard to engage

Nevertheless, he noted that as more and more people have gone back to work, engagement with webinars, for example, had fallen. Due to timings, it is not difficult to engage customers that way, while during the true lockdown, it had been easy. "However, our one-on-one virtual advisory has picked up and that is something

we are building on further," he reported. "And across the length and breadth of Malaysia, we can do this without travel now. So, the challenge today is how do we leverage the platform, increase adoption increase the number of people signed up to the platform, which we have had now for some 18 months. And interestingly, now that they've got used to the idea of transacting without signing too many documents and papers, they are liking it more and more."

Addressing the needs

He explained that for the mass affluent market, the bank has been trying to figure out how to reach out to them all the more in the current environment when interest rates have dropped significantly, when they need investments, and therefore to build on the advisory piece. "We found that small matters deterred these clients," he reported, "for example when we asked them to register for our advisory sessions, and also when the sessions were too long, engagement drooped off. So, we continue to learn from these small nuances to create the right dynamic."

"We are trying to solve all this," he reported, "but to be honest, we have not really cracked the code on that but what we realise is the ability to engage virtually and scale up is helping a lot. To deploy an advisor for the mass affluent clients is not practically feasible or financially possible, so, through the virtual medium, though, we can advise in scale, run sessions for thousands of clients, help them understand what they can do in the low interest rate environment, for example. Accordingly, we are building a frequency in that and advancing towards the best ways to build engagement and interaction. Once these clients understand, then they can execute their entire transactions through the online platforms. In short, we are working to solve this, as it has been a weakness for us in the past."

He added that insurance is challenging, as it really helps to have early engagement face-to-face. "Digital has not helped us ramp up the insurance business," he conceded, "as we can see we need the first engagement physically in order to lead through to the better quality conversations and actually converting clients."

He also elaborated on the HNW and very wealthy client segment, noting that most are fairly comfortable having virtual engagements one-on-one, which fundamentally means the RM is present, the specialist is present, they are happy to chat, they are ready to give a time slot and connect and communicate accordingly.

Prospecting is much tougher today

A guest then remarked that the pandemic has been forcing everybody to reassess their priorities and in many cases doubling down on certain areas, especially in wealth management, where the digitalisation agenda is accelerating. "We have seen," he said, "for example, that the world doesn't actually end when the RMs can't meet the client face to face, but clearly, a number of elements do get more problematic, including of course prospecting for new clients, which is really tough when you can't meet people face-to-face. At the end of the day, Covid-19 is demanding a lot of change, that's going to cause a lot of hassle for everybody. So, everything has been looked at through a cost or value lens. And it needs to be delivered fast, and in an agile manner."

Lines in the sand

A slightly different view came from a Swiss banker who normally resides in Hong Kong. This is all about the democratisation of wealth, he said. "Digitalisation leads to the democratisation of wealth, and due to that, the traditional landscape of the private banks is getting less and less clear because businesses empowered by technology leads to more and more of a dilution of a blurring of the traditional segmentation of affluent and high net worth clients, with more people now able to obtain portfolio and advisory services against a flat fee, so it is tougher to identify what of greater value the private bank offers in terms of product and services which the mass-affluent businesses are not trying to offer as well."

He added that digitalisation is leading to a new form of segmentation, much more about the desired coverage model. "You can have the UHNW client who only wants to deal online with his private banker, but you can have an affluent client who really wants an investment consultant to talk to once in a while. So, the challenge for the banks is how do we price that? How do we make it work? With this dilution of these traditional boundaries, it's very interesting to see which of the banks are ahead in this, and here I am talking of those banks which have integrated retail affluent and high net worth businesses, not about the traditional Swiss private banks who are not in the retail business."

Smaller = more agile

Another perspective was offered by a senior wealth management expert, someone who had worked in leading global private banks and also in the multi-family office environment today.

"The challenge for the big banks is so often legacy systems and getting new technology to integrate with those, that's a huge problem, and very expensive. In the smaller setup, the IAMs and the multi-family offices, they're starting with a bit more of a blank piece of paper, so are able to adopt and also adapt technology to their own requirements more, and that is a great advantage, especially as their RMs tend to be especially close to their clients. Moreover, the IAMs and MFO are perhaps more in tune with the next generations, who are increasingly inheriting or making the wealth, giving them a further advantage. "

A technology expert added his views on the perspectives he had heard, commenting that the overriding theme he sees in the region is the acceleration towards digital transformation. "We see more and more projects in the region where previously it was digital preferred, and now it is digital-only," he said. "So, this evolution from digital-first to digital preferred in many projects across the region, one of the limitations we see is a lot of institutions have layers and layers of legacy technologies, and while the customer demands and the expectation of relationship managers are evolving towards digital, the institutions are still constrained by what exists today, the data that is available and, for example, the ability to make WhatsApp or other solutions communicate with a 10-year-old core banking solution."

Accordingly, he explained that a lot of work was being done in the region making sure that financial institutions are supported in becoming embedded in their customers' day to day lives. "Whatever line of communication that the end customer wants, there are challenges and constraints, as you need to have omnichannel operating seamlessly, so we see a much greater need for flexibility."

"We work with specialist partners in order to expose more of our components to third party companies who can then develop and build on top of what we do, and that is a mindset shift for technology engineering companies, the shift is from a situation where we say, oh, we are the best, we can only do it and we provide this monolithic solution to the viewpoint where we believe that innovation can come from us, but it can come from the bank or it can come from third party technology companies we work with."

Don't fall into the silos

Another specialist commented that the safest way to smart digitalisation is to start with the RM, not the customer, as that is a more progressive way, avoiding experimenting with the end customers. "The key question I see is organisationally to rise to the challenge of putting projects together, not opting for different technology standards. Those

customers that are most successful in adopting digitalisation actually have a platform approach, they look at the entire set of business segments across the bank, thereby avoiding the silo type approach." And that silo type approach all too often prevails still today amongst many of the banks in the region.

He added that another pitfall to sidestep is focusing only on the most alluring results of digital transformation. "But nobody seems to want to say, look, what are the hygiene factors to look at, such as regulation, risk management, and so forth. And then, when they start to look backwards, the cost of investment can balloon."

Dealing with the legacy

A guest commented also that for the banks it is certainly challenging dealing with legacy systems and potentially across multiple jurisdictions. He said that segmentation is a challenge that his bank is today addressing within the platform. "A simple example would be if today you want to take up retail funds in local currencies, those are available to anybody and everybody, but if you want to take up wholesale funds, our foreign currency funds are only available to a handful of clients, and that filtering is made more feasible and easier using technology. We are building that kind of differentiation for clients, with our upper-end clients expecting direct engagement with advisors, albeit remotely, they do not want to simply take advice digitally."

An expert then remarked that while the financial institutions are transforming and see the need for transforming, so too, technology companies should transform as well.

"We work with specialist partners in order to expose more of our components to third party companies who can then develop and build on top of what we do, and that is a mindset shift for technology engineering companies," he observed. "The shift is from a situation where we say, oh, we are the best, we can only do it and we provide this monolithic solution to the viewpoint where we believe that innovation can come from us, but it can come from the bank or it can come from third party technology companies we work with."

He said one of the big transformations for the firm was to abstract the front-end digital platform from the core. "While it took us several years," he noted, "now we can offer the best of breed digital experience to connect with the end private clients of the banks using social media, for example, but without using the core system. In short, transformation involves us also rethinking our approaches and solutions."

Open-sourcing

Another specialist concurred, adding that the one big opportunity he sees in technology is the widespread adoption of open source technology to solve common problems, thereby leveraging agility and delivering services without impacting the core. "The beauty with modern technology is leading vendors don't have to find the solution themselves, they can adopt open source solutions from the technology community, thereby really supporting their financial sector customers effectively and allowing agility and scalability. I advise all the businesspeople in the virtual world today to ensure there is a clear roadmap to the adoption of technology, and to

make sure they are comfortable with what their core vendor is doing."

Taking it to the people

A guest then harked back to the viewpoint of the democratisation of wealth today, noting that the great thing about technology is in being able to offer key portfolio allocation and advisory services today to a far wider range of clients today, those for example with anywhere from USD100,000 to invest.

"The entry point some five years ago," he said, "would have been more like USD5 million. Now today, perhaps north of 50% of revenues for the private banks still come from one or the other form of transactional activities, but there are directional signs where the future revenues for private banks are coming from. Goals-based advisory, for example, for the affluent segment, where clients are not necessarily independently wealthy, and where they need support to help them achieve emotionally relevant goals in their lives, and making investing all of a sudden so much more relevant in the daily life of an affluent client than it used to be some years ago. In short, financial services will become much more embedded in daily life."

Another guest agreed, noting that to democratise the private banks need to address their costs of providing their services by extending outwards, and across the other business lines. "You need to explore new revenue sources and contain your costs at the same time," he stated.

A banker agreed, commenting that as his bank is a universal bank, there are very obvious opportunities to penetrate and conduct more in wealth management across segments. "We conducted a survey last year, which clearly shows the clients in the mass affluent space particularly do not have the necessary knowledge to invest or are extremely cautious and put in their money into savings accounts or term deposits as a means of saving up for their retirement, so that highlights the big opportunity to engage and scale up and do more with them [on investment and goals-based investing]. Yes, fees are generally going down, but there is a lot more opportunity."

Leveraging data

He added that another key aspect is to better leverage data. "Wealth is a very traditional business, we focus traditionally mostly on analysis of the markets, understanding where to invest, but not necessarily engaging clients very effectively. But in today's environment, there's a real need to engage clients more actively and help them manage their portfolios, which can be done digitally, but there needs to be a lot more data-driven decisions made, and in this area, we must become best in class. We need to use data to help clients understand where their portfolios are, how they're doing versus their goals, what should they do next, how they might adjust the portfolio in the current environment, and so forth. That type of interactivity can be built more actively using data, and that helps build more stickiness, which will again help generate more revenues."

The final word went to a very senior banker who agreed with the views expressed, but who added that technology is excellent these days, but is just a tool. "At the end of the day, the overall relationship counts, and across the generations, there's room for a hybrid model. The pandemic has afforded us more to concentrate on the digital part because that's a pressing need for delivery today, but it is not a panacea for everything [in wealth management]." In short, invest in and apply digital wisely, but remember not to lose track of the true identity, the bank or the firm's true differentiation. ■