

# How to Catalyse the Wealth Assurance Strategy and Prepare for Digital Disintermediation

Hubbis recently held an insightful virtual thought leadership discussion on the topic titled: 'Catalyse your Wealth Assurance Strategy to Prepare for Digital Disintermediation'. The one-hour discussion featured our joint sponsors InvestCloud and Accenture, with two of their leaders in Asia Pacific - Damien Piper, Regional Director for Asia at InvestCloud and Tatiana Collins, Strategy & Consulting Director, Head of Wealth Advisory for APAC at Accenture.

The dynamics of client relationship ownership in wealth management are rapidly changing, not only in the nature of advice but how it is delivered. We have seen a rapid growth in digital offerings coming from WealthTechs, and now asset managers and insurers are looking to disrupt the value chain further by establishing their own direct to client wealth propositions. As banks have invested in bancassurance digitisation, distribution is only one link in the wider wealth ecosystem. The main focus of the discussion was on the emerging need for the wealth management industry to offer an enhanced, sophisticated and holistic proposition to their clients that results in differentiation and the ability to attract and retain clients across all wealth segments.

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## Key questions addressed during this virtual session

- » Has Covid-19 shifted the focus towards **stronger financial protection** and well-being?
- » Are we seeing a more **aggressive product push** and increased competition with insurers?
- » We have now linked **many insurance products** to the wealth offering - does it mean we have a holistic wealth offering?
- » Do we need to review our offering mix and **identify differentiators**?
- » Will banca's financial relationship change?
- » Looking at retirement protection, how will the offerings evolve and come together with **increased digitisation of the advice process**?
- » How do we deliver increasingly complex **wealth offerings digitally** on a multi-country scale in Asia?
- » And more importantly, **who will own client relationships** in the future?

## Key Observations in Brief

### The wealth management market dynamics are changing, and rapidly

The nature of advice and solutions and how they are delivered is evolving rapidly in the wealth management industry, as providers, both incumbents and new entrants, look for optimal ways to deliver increasingly complex wealth offerings digitally, and on a multi-country scale across Asia.

The pace of digital transformation is accelerating, driving a revolution in client experience

Change has been taking place at breakneck speed in the wealth management industry, driven by regulation and digital transformation, and this means dramatic shifts in business models, as well as major changes in the customer experience.

### Hyper-personalisation is becoming endemic in wealth management

Netflix knows what you want to watch because it analyses your past choices and your watchlist. Amazon marketplace analyses your purchases and decides what to offer you as the next buy idea. Similarly, the wealth industry is catching up, as the creed of hyper-personalisation sweeps into the private banking and wealth management industry.

### Major changes are taking place with regard to business models and pricing structures

As wealth management businesses change and expand the ways in which they service customers, and as they introduce different distribution models, there is a changing perception as to what services should be priced at.

Tatiana Collins commented: “There has been a major shift in business models, how revenue is generated and how clients are serviced. And, of course, the digital transformation and the technology advancements have resulted in two trends: direct-to-client propositions and a shift in how products are created, designed, launched and delivered.”

### **More competitors are crowding into the APAC market due to robust growth potential**

There is great optimism that when the pandemic can be brought under control, and there is some resumption of ‘normal’ business and social life, the economies and private wealth generation in Asia Pacific will resume the extremely robust growth path of the past two to three decades.

Tatiana explained that regulation has driven the convergence of life, pensions, investments, retail banking and wealth management. We can see this with the example of digital banking. For example, in Singapore and Southeast Asia, virtual banking propositions are developed with wealth management services in mind, and this includes industry disruptors, such as Grab Financial Services actively expanding their digital lending, payments and wealth management services across the region.

### **Insurance of all types is in greater demand, especially since the pandemic**

Life, health and other forms of insurance were all enjoying significant and rising demand pre-2020, and the pandemic has only accelerated the perceived need for such protection. In a world in which remote delivery of such solutions is currently the norm, the delivery of these solutions must be digitised and seamless, presenting huge challenges for the insurers and the bancassurance providers.

### **The change to the business model results in two things - changes in product strategy and changes to the advice model**

The wealth management industry is going through what can be termed the ‘uberisation’ of advice, meaning advice anywhere, anytime, any channel, any place, again introducing numerous challenges and difficult decisions for the incumbents, especially in the face of new entrants coming into the market. “These challenges force a number of strategic decisions: they need to decide if they will be a platform player that distributes and facilitates the provision of the services, if they manufacture their own products and distribute them through multiple value chains, or they will be the independent advisor,” Tatiana explained. This means tough decisions for the players to make, as they determine where they are going to play and how they deliver.

### **Data is gold, mine and refine and deliver precisely to what the customer expects and needs**

In the new world of wealth management, data is precious – it must be gathered, managed and leveraged in order to produce relevant and personalised advice in order to boost the client experience and satisfaction.

Tatiana commented: “The key questions here is who owns the customer and who owns the customer data? We are in an age where data is bought and sold, so we need to look at how providers utilise customer information in order to meet customer needs and service them better with relevant information and offerings.”

### **AI and machine learning are evolving to offer game-changing advances in customisation as the industry strives towards hyper-personalisation**

Artificial intelligence and machine learning are now at a sufficiently advanced stage to truly help the industry drive towards hyper-personalisation, as well as the timely delivery of highly relevant ideas and solutions. InvestCloud have got a number of banks (clients) who are now on a machine learning algorithm, which is focused on what we call hyper-personalisation of products and investment research as it massively shrinks the preparation time Advisors need to spend in order to share appropriate recommendations with their customers.

### **The hybrid model, if applied properly, allows for a continuous, digitally enhanced, human advisory interface, in person or remotely**

The drive to digitalise the whole wealth management and wealth assurance journey requires careful attention on the end customer, and constant dialogue with them, albeit remotely at this time.

The hybrid model will serve wealth management and bancassurance best, combining the best of human advice and connectivity with the right digital tools, thereby helping the Advisors to deliver ideas and solutions for the customers.

Damien Piper said: "At InvestCloud, we have certainly witnessed this 'uberisation' of advice in recent years, changing the dynamic around how advice has been provided and has really empowered the customer. Traditionally, at best, a customer would log into a client portal at a bank or a wealth manager and be able to just see a static view of their holdings, their current protection coverages, and so forth. But with the movement to mobile-first, and generally, the movement to making advice a hybrid journey, we've seen a lot more of the leading players now providing a lot more toolkits to the customers themselves."

### **Digital tools to provide a 360-degree view of the client's financial situation and simulate eventualities are essential for new world wealth management**

It is essential to understand the customer as completely as possible, including his or her family situation and financial growth projections and financial needs ahead in order to achieve the optimal split between protection products and wealth growth products. And this understanding needs to be constantly refreshed and updated.

### **Bancassurance solutions need to be visualised by private clients, and digital tools can achieve exactly that**

Clients must be shown a clear picture of the impact of bancassurance and other solutions, and digital tools will enable that process and delivery. There must be essentially a 'true' collaboration between the client and the providers.

Damien further commented: "While we look at digitalising the whole wealth assurance journey, we really feel that you need to design for the big picture, to maximise the unique relationship that a bank or an IFA has with the customer, to maximise both the protection and also the wealth that they are solutioning for those customers. We truly believe in journey-based discussions and dialogues with the customer. Being able to use digital tools to project the big picture of the household situation, to run 'what-if' simulations that help the customer see a picture of how something might happen in the household, and therefore how to balance the right cash flows correctly towards protection products and wealth growth products, are vital areas of development."

### **Insurance is sold, not purchased, so the traditional advisory and RM channels, duly turbo-charged by data and digital tools, will help drive the sale of protection solutions**

Life insurance tends to not be simply purchased, meaning that the Advisor needs to be closely involved throughout. With digital tools helping both the Advisors and the clients through the process of education, nudges and finally through to the final purchase. The adoption of digital solutions and delivery in Australia, for example, amongst the older generations as well as younger clients is a sign of things to come across Asia.

### **It is essential to see the new age of digital as deliverable intuitively, and at speed, this is what can be called 'design thinking'**

Those adopting digitisation need to think of the new digital world as being completely intuitive, completely at speed. This can be called 'design thinking', as it is essentially a new way of thinking for this industry. It takes planning, it takes time, but the end result is better service, greater personalisation, increased revenues and satisfied, loyal clients.

**Question your motives, question your digital transformation goals, and question where you will differentiate yourselves, and then act decisively**

Don't set yourself up for failure by over-promising; it is better to go step-by-step, with a proven-by-testing protocol and target precisely the outcomes that will match your business culture, your differentiation and keep customer satisfaction levels as high as possible.

Beware the digital 'frenzy' and take a strategic, studied, step-by-step approach to digital transformation. The right application of simple, easy-to-use digital experiences for customers can and does significantly enhance sales and productivity as well as user satisfaction. Work conducted with global banks show significantly enhanced productivity and therefore also increased revenue as a result of smart, well-curated digital adoption. Those businesses that have achieved digital transformation successfully are those who really re-think how to go about digital, and to take a carefully planned, modular approach, testing and re-testing throughout to ensure the optimal outcomes.

**Japan – a case in point**

Accenture and InvestCloud collaborated with one of the leading Japanese banks to digitalise their advisory practice. The advisory process in the Japanese market has a number of nuances that is different to what is seen in other markets in Asia. We had to carefully think through the different ways the customer experiences the journey, but also how the advisor interacts with that customer and how to digitalise at the right moment. We did that successfully by applying a number of the principles above including agile phasing, design-led thinking and holistic approaches to advisory.

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