Is technology the game-changer for Indian wealth management?

At an exclusive roundtable hosted jointly by Infosys Finacle, Samsung and Hubbis in Mumbai, wealth management leaders debated the extent to which technology can drive change in how the industry interacts with clients in delivering advice and products.

In India, probably more so than most other countries on the planet, using technology smartly to create scale and consistency via mobile, digital and social offerings will be a critical success factor in the delivery of financial services.

"The key is leveraging technology to either enhance the quality of the relationship – in turn increasing the revenue-generating potential – or to reduce the cost to serve."

The country's retail banks have made the biggest leaps forward in terms of mobile and digital offerings. They have been creating useful tools for customers to view, interact with and transact from their portfolios. It is when it comes to the more specific wealth segments, however, and especially for HNW and UHNW clients, where the industry is lagging. Yet it is hard to argue with the view that technology will ultimately play a much larger part in all aspects of delivering a much more relevant and profitable wealth offering.

From the product platform, dissemination of content, adviser-client interaction, to internal processes, account opening and on-boarding, and overall customer experience, the industry in India needs to take some important steps forward. The key is leveraging technology to either enhance the quality of the relationship – in turn increasing the revenue-generating potential – or to reduce the cost to serve.

These were some of the views of senior executives at the roundtable discussion.

EARLY DAYS

While there have been some technology advancements made to platforms in other parts of the financial services industry in India, especially for retail investors, wealth management needs to play catch-up, agree practitioners.

Short of progress in mobile, social, big data and cloud, for example, most institutions are yet to employ technology to serve wealthy customers in today's one-touch, high-expectation age.

In a sense, the problem stems from the fact that the industry is trying to find a solution to the traditional model and value proposition of face-to-face, customised interactions.

Moving this online and to mobile devices isn't a simple transfer.

Industry leaders admit that they are grappling with how to provide a customer experience which delivers similar value but via a very different media and format. Some of the areas they struggle with, they say, include reconciliations, portfolio updates and segmented content delivery.

Some banks seem to be getting there faster than others. Kotak Mahindra Bank's online and mobile offerings, for example, delivering banking, stock broking, and the ability to buy other financial products, was one example highlighted by roundtable participants.

It is promising for some of the laggards that such solutions are available. And that, at least for universal bankers, legacy technology infrastructure and mind-sets are being found in transaction banking, cash management, custody, and other parts of the financial services industry.

But beyond the more straightforward transactional services, the main stumbling block is how to replicate the more tailored model that is unique to customers further up the wealth pyramid.

Then there are those organisations which don't yet do much, if anything, in the wealth space, but are looking at the best way to enter it by using technology which can take them beyond the need for human interactions along the lines of traditional models.

DELIVERING THE RIGHT SOLUTIONS

Fundamental to the need for firms to address some of the shortfalls which exist is the fact that the expectations of customers are higher against the backdrop of today's technology-laden world. These have increased several-fold, say industry leaders, as clients want instant responses, more convenience and a tailored experience when dealing with their wealth.

There are specific objectives that firms need to fulfil in using and adapting technology most effectively.

First, say practitioners, relates to delivering information more seamlessly and which is more targeted to the needs and interests of an individual client. Plus, this content has to be concise. That starts with aggregation, which serves as a kind of 'hook', with the objective to lead to transactions. That is vital, given the vast amount of information which gets sent to clients in the form of newsletters and other alerts – yet with a significant proportion of it going unread.

As a result, data analytics can define what is relevant, and to whom, and are essential as triggers to create more meaningful conversations with clients.

Reducing the cost of delivering the offering is another goal. That is something which participants say is taking place, by a combination of replacing legacy systems, moving to better processing platforms, and upgrading risk compliance into the platform.

A clear benefit from more using technology and systems to drive scale is overcoming the need for a far-reaching physical presence.

Those institutions which are smaller and have less of a geographic reach in India are, therefore, no longer at a disadvantage – if they embrace technology and make it work for them.

Deepening partnerships

The smarter use of technology can also help an organisation to institutionalise client relationships.

An inevitable tension exists within most organisations in relation to the perception of who 'owns' the client. Yet there are several ways to cement the relationship at the firm-wide level, too, as a result of the multiple interactions between the client and firm.

That starts at the point of initiating the relationship. While that sees a heavy involvement by the adviser, the real impact on the customer comes from the way the information is collected, dissected and stored. The ability to slice and dice that creates a big differentiator.

Some of the more obvious ways to make that more tangible include making more of milestones. For example, after a client has had an account with the organisation for a year, that is a point in time to connect with them, to see where the relationship is at, and how it might be taken to the next level.

A second way to forge deeper and more meaningful client relationships with the institution as a whole is at the point at which the proposition interfaces with the customer. That relates to discussions about portfolio construction, asset allocation and risk profiling. Rather than approaching this as a tick-box exercise, this is a key touch-point from which to create data-points which can be leveraged going forward in terms of relevant services and products.

The gains are both in terms of lower cost as well as greater access to potential clients.

FINDING THE BALANCE

However, there is also a danger, say some participants, of over-emphasising the role of technology in taking the wealth management business to the next level.

Trying to imitate that experience via an online platform of sitting across the table from a banker is one of the goals that creates a potential hurdle.

Specific to the wealth management industry, too, is the mind-set in India where for people to trust their hard-earned assets to someone to get advice, the preference is for face-to-face, human interactions.

The domestic industry also has to be cognisant of what suits some markets but not others.

For example, for many global businesses, they might follow a regional approach in Asia, such as their wealth managers using video conferencing to interact with clients in other markets.

Yet that is less practical in India given bandwidth constraints, as well as – potentially – cultural differences in terms of the preferred way to deliver advice.

A further hurdle is the fact that there is a gap in the market at the moment in terms of a credible solution to fulfil the technology wish-list. Yet there is confidence about the potential to fill this.

On the plus side, the expectation among industry professionals is that the mobile-readiness of the country creates the potential for it to catch-up.

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Executives in India's wealth management industry are also looking to the innovations taking place in the US, for example, where investment in game-changing technology such as robo-advice continues apace.

Yet as observers, naturally there are questions among the community in India about the security of such services, the level of involvement still required by the adviser, and the degree to which information can be aggregated and contextualised for customers.

For example, given that many wealthy indians are heavily-invested in real estate, some participants at the round-table question the extent to which relevant information be made available to an adviser to have a conversation with a client about how to diversify their portfolio into areas which are suited to them based on data the firm knows about that individual.

Other areas of innovation which might enter the wealth space include biometrics, say some practitioners.

Some retail banks, for example, are already experimenting in some call centres on the retail side of banks.

INVESTING FOR THE FUTURE

For the next generation, technology is likely to be one of the most important differentiators for wealth management providers, agree industry leaders.

It is difficult to imagine, they say, that many 20- or 30-year olds will have time for the concept of sitting across the table from their private banker.

Such buying behaviour is already driving a new mind-set in terms of service delivery. It requires wealth managers to have information at their fingertips about how market movements relate to that individual client's portfolio and overall investment objectives.

And that makes conversations meaningful in a way which doesn't happen to anything like the extent it should today.

Ultimately, the biggest question in determining the extent to which technology will be a game-changer for wealth management in India is the ability to get the systems in place.

Industry leaders agree that once this is achieved, mobile, digital and social media applications will follow to deliver advice, content and execution which can enable forward-thinking firms to outshine. ■