The Evolution of the Client Expectations and Advice in the Middle East Wealth Market

Did the chicken or the egg come first? In the world of wealth management, are digital technologies and solutions developing to reflect evolving client demand and expectations? Or are the solutions leading to greater client expectations? Well, the answer is probably a bit of both, rather like in the smart phone industry, as apps arrive both to cater to demand and to actually create new demand. The second panel discussion of the Hubbis Digital Wealth Forum in Dubai on November 15 saw our chosen experts zoom in on changing customer expectations in the wealth industry, especially as the older, founder generations either pass away, or pass more of their wealth to the second generation – who is increasingly comfortable with digital – or to the millennials and even younger generations, who are essentially digital natives. The experts discussed how the Fintechs, and digital solutions providers are creating or adapting their products to cater to this sea change, and they debated whether they are delivering the right solutions at the right speed to cater to these evolving demands. The panel concluded with a very apt observation that the UAE's wealth management markets are on the right track, they need more time and consistency to improve their offerings to global levels, but that armed with the right strategies and technologies, there is certainly the desire and the impetus to achieve those goals.

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The fundamentals – delivering a far better user experience for the clients, as well as the providers, and delivering sound advice, not just what the clients want to hear

In the new world of wealth management, it is not only the end users – the private clients – who are availing themselves of these technologies. To deliver a more client-centric, efficient, and seamless service to clients, the banks and EAMs must improve the digital solutions available in-house for everything along the line, from back- to front-office. The proposition will fall flat if clients struggle to onboard digitally and rapidly, if they do not receive the right reporting on portfolios, and very importantly if they do not receive the right degree of client relevance and client focus from their RMs and advisors.

At the heart of the current discussions around digital transformation is the thesis that digital solutions and new approaches are both reacting to client expectations, but also moving ahead of those needs, thereby delivering a transformational offering to both the providers – the banks, EAMs and others – but also the clients themselves. This is of course especially vital as the younger generations emerge holding the keys to the family safes, and as the mass affluent wealth expands apace.

But good advice is not necessarily about striving for the best returns for investors. Advice must centre on reality. It should, in the world of wealth management be conservative – designed to conserve wealth first and foremost. Hence advice is about tempering expectations and driving clients towards a sensible portfolio allocation and also towards a more professional approach to wealth and even legacy planning.

As one guest explained: Our job as advisors, and it is our curse and our blessing, is to turn that expectation of return into properly controlled risk management, because if we want to have enduring and long-lasting relationships with our clients, they will thank us for controlling the risks of their investment portfolio."

Regulation is vital, but it often impedes the client onboarding and the broader 'client' experience; hence better digital solutions around account opening and account management are essential, and the regulators should also adapt their approaches

The panel discussed the need to dramatically improve digital protocols and solutions around onboarding, KYC, AML and onward account management and reporting. In the world of traditional wealth management these issues can seem to present some disconnect for younger clients, for example those who might have had experience of onboarding with digital asset platforms or FinTechs, where the process is remarkably rapid.

"We need to manage these clients' expectations," said one speaker. He said when they are talking to the next gens, they have an expectation that things are done in certain ways. But at the same time, areas such as intergenerational wealth transfer involve complex cross border issues, multiple jurisdictions, and it all requires a more sophisticated approach and that takes time and effort.

"It is about managing expectations and getting that balance right but making sure that regulators (who do tend to live in the dark ages) understand that this is where the world is going and this is where the consumer is going, and they have to get their checks and balances in place in order to meet that need," he added.

Another guest held out come hope in this regard, noting that the successful wealth management compliance departments are starting to better understand and embrace clients, and the regulators, both in the UAE and other jurisdictions in the region, are indeed becoming a lot more commercial, trying to promote regulations that enable their jurisdictions to increase the amount of business that they're doing.

"The regulators themselves are being more client centric, as we see things," he said. And he added at the same time, there are better digital solutions and platforms to help them deliver data and information and insights to clients much more easily and in a compliant manner."

Digital solutions are essential, but they need to be aligned to smart strategies and to human expertise and personal connectivity

A panellist highlighted how private banking used to be a very siloed experience, but that the market had shifted towards more holistic financial planning with the banker drawing into the centre all the various expertise and disciplines required to properly service clients. There needs to be connectivity across these different areas, and the right strategies to pull all this together.

He said one positive by-product of the pandemic was that using Zoom, Teams or other media, all the different experts can be assembled on one virtual place at one time, whereas to accomplish the same sort of connectivity in the past was, he said, like trying to herd cats. "Today, we can pull all this expertise, all these views, together at one time and that has huge value in helping the clients to then start building their own strategy, not only for today, but also for the next generations," he commented.

A downside of digital connectivity, however, was highlighted by an expert who said that as a result of information flowing so often through messages pushed to clients, all too often they react. He said the best portfolios are properly assembled and not churned, but with the constant flow of information and news to clients, they react when they would do better to have fewer regular updates and hold a steadier course. "I love the digital world, and I love all the information out there, but if we push it too much the client, we will destroy value," he concluded.

Another expert said that better than all the messages, the message apps, the Zoom or other calls is the human interface, the building of trust and the ability to have a two-way dialogue face to face.

"Nothing replaces personal relationships with clients, so I do not personally believe in our area in wealth management that automating the advice is necessarily the way to go because clients do want to have a relationship," he said. "Yes, automate as much as possible, but I think the relationship should always be with a wealth advisor because that is what clients are really paying for."

Fellow panellist agreed, remarking that technology should be to enhance productivity, capability and efficiency, but not to replace personal relationships in wealth management.

Nevertheless, a guest said that robo advisory will definitely serve a valuable purpose in the more retail end of the wealth market, where it is not economically feasible to offer personal advice at scale. Moreover, such advice can help newer generations of clients with their personal wealth planning for themselves and their families, as they have tools to better project into the future and understand the implications of making certain investments.

The GCC wealth markets need to up their advisory expertise and improve their competitive position, and there is certainly the desire and impetus to do so

The final element of the discussion saw the panel debate the progress the UAE wealth management markets had actually made in recent times. While all agreed that it was moving in the right direction, a leading local expert concluded that there is still much work to be done before clients turn to the UAE providers rather than to Switzerland, Singapore or other more developed and well-established wealth management centres.

"I might ruffle some feathers here, but there is a dearth of advisory expertise [around HNW clients] in this part of the world, compared to maybe Singapore, and certainly Zurich, Geneva, and London," he stated. "When we're talking about high-net-worth clients, you have to service them in the right way."

But both in the ADGM and the DIFC, there is a huge appetite to change that, he said, and there is a strong impetus for wealthy clients coming to the UAE, in particular Dubai, so there is the appetite to actually change that and come through and not only meet the same level of advisory that you can get in other more traditional places, like Switzerland and London, and there is a desire to even exceed it, he commented.

And he closed by remarking that deploying digital as part of that mix will obviously help get the region get ahead of the curve and become not only the leaders in the region but potentially leaders when viewed from a global perspective. "Those are the aspirations here," he stated. ■