



What's your value proposition?

Although fintech is increasingly influencing the look and feel of wealth management, it also presents an opportunity for wealth managers to really add value to their clients' key life goal of financial security and stability. By Kees Stoute

On June 1, PwC issued a must-read industry report, entitled “Sink or swim: why wealth management can't afford to miss the digital wave”. This title doesn't leave much to the imagination – it basically confirms a conclusion that I drew in one of my earlier articles: fintech is ruthlessly changing the wealth management landscape.

“With a client base that feels only weak affiliation to its chosen providers, the sector is now acutely vulnerable to digital innovation from fintech incomers, including robo-advice services,” said Justin Ong, Asia Pacific asset and wealth management leader at PwC, in the report.

With the undeniable intrusion of fintech in our industry, you are being forced to take action now in two key ways:

- Define an effective digital strategy enabling you to remain relevant as a wealth manager in this highly digital world
- (Re)define your value proposition

The PwC report focuses on the first of these: if you want to compete in a highly-digitised world, you will have to be highly digitised too.

In the same report, however, we also find some other observations, which explain why Ong refers to a weak affiliation to chosen providers:

- Achieving financial security and stability is a key life goal for 89% of all respondent HNWI's
- Only 37% of HNWI's believe their wealth manager takes their life goals into consideration
- Only around 33% of HNWI's are confident about being able to reach their life goals
- Less than 33% of the HNWI's – particularly the bigger ones – are pleased with their existing wealth management services

These findings are poignant, and make it painfully clear that our fundamental problem is not so much a lack of digitisation, but a lack of added value (which is not caused by a lack of digitisation and won't be resolved by more digitisation).

TAKE ACTION NOW

I agree wholeheartedly with PwC that every wealth manager should have a state-of-the-art digital strategy, giving due consideration to the very fact that technology has invaded the everyday lives of all our clients.

However, such a strategy will be close to meaningless if you don't first and foremost take action on the second action point above: clearly (re)define your value proposition, which should go beyond what can be replaced by robots.

The PwC report confirms that wealthy individuals generally have difficulty in aligning their wealth with their life ambitions. Isn't that precisely where professional wealth managers should come in?

Physicians, for example, don't sell health. They 'sell' an ability to apply state-of-the-art knowledge and technology to enable people to live the life they want to, as healthily as possible. Likewise, wealth managers are not sellers of wealth (ie. performance). They 'sell' an ability to apply state-of-the-art knowledge and technology to support clients in their efforts to achieve their key life goal: financial security and stability.

Only once the value proposition is clear and aimed at truly adding value, should it become the highest priority to define a sound answer to the digital tsunami that's impacting our territory. Without this value proposition, we will surely sink.

Contact Kees - kees.stoute@hubbis.com