

Unleashing Growth in Asian Wealth Management



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How optimistic are you about further growth in Asian wealth management? And how can firms capture this opportunity?

I think that for the last decade or so, up until about 24 months ago, it was fantastic to be in Asian wealth management, lots of growth, lots of excitement, lots of optimism. We must acknowledge that the last 24 months, certainly from a market perspective, haven't been fantastic. But when we look at our own forecasts for growth going forward, we remain very optimistic. And you can see that in some of the capital flows coming into markets like Singapore. Case in point, a market like Thailand, just as an example, was growing about 9% annually prior to 2021. It's obviously not been growing particularly fast like a lot of markets over the last couple of years, but our forecasts have that accelerating again back towards double-digit growth rates through 2026. So, there are pockets of significant opportunity in Asia's wealth management landscape.

It's very competitive, and increasingly hard for firms to differentiate. Obviously, we've had the FinTech rise. We've got non-traditional providers giving alternative propositions. Banks themselves are very competitive with one another. So it's a challenge to differentiate and to unleash some of the revenue opportunity that we see. Generally, we believe that firms can target 3X to 5X growth by 2027, so in four years, coming from not hiring. My estimates would be about 2% of that uplift would come from hiring. The majority needs to come from what we call the four Ps: Productivity, Pricing, Propositions, and better Penetration, both onshore and offshore.

We have about 20% coming from productivity, and 80% coming from the other three that I mentioned. Easier said than done, of course. Firms are challenged to take such a long-term view, articulate a strategy that's executable, and then stay the course. And there's also challenges sometimes with the operating model, getting different units within the firm to work together, manage that transformation across competing KPIs, and, of course, pull that through into the underlying platform and some of the investments needed to enable a differentiated proposition.

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Where does the Relationship Manager fit in? And how can we optimise them?

We do Asia's largest thought leadership program. We surveyed 4,000 investors - 800 RMs and investment professionals, and 20 senior executives, people running the P&L at these banks. When we speak to the executives, on average, they're expecting to double AUM growth in the next three to four years, and they're expecting 90% to 100% of that growth to come through the remote monitoring and management (RMM) channel. It's not that digital is not important. It's just that the RM is still seen as critical to convince clients to deepen share of wallet, or to start a new relationship. The challenge is that productivity is not where we'd like it to be. On average, it's about USD700,000 of revenue per RM when we go across all segments on average. And it's forecast to degrade over the next few years because of how aggressively firms are hiring, and the revenue they're expecting to get is not catching up with that.

And there's all sorts of reasons we know in terms of the level of empowerment of existing RMs, and the quality of the underlying RM themselves, and you can't hire your way to growth because it kills the cost income ratio. Therefore, what's the root cause of this? How do you solve it? Our view is it's the role design itself. You've got about 70% of RM time spent on areas that investors in our survey say add no or little value, which is madness. Because if you do the actual dollar analysis, that's a lot of wasted dollars of spend. Our view is you need

to take a more disruptive mindset in terms of how you move forward. One, fundamentally rethink the role. Anything that from a client experience or a regulatory perspective can be reduced or removed entirely, do so. Secondly, skills uplift.

What remains in the RM's role is going to be much more focused on advisory, less on servicing or the admin for their business. But that's going to necessitate a different type of skillset, more proactive, more ability to tell stories, more ability to stitch complex solutions together within the firm, which some RMs don't have today. And third is talent sourcing. Find RMs from non-traditional backgrounds because they'll probably have those skills in abundance that the normal roots don't have as much of. And then finally, massively push automation. Finally, with generative AI, we can reduce a lot of the activity that RMs are doing today, and we think all of that can save firms about 47% on average in terms of RM time spent doing their work, which you can redeploy to give them a higher revenue growth target.

How does Generative AI help?

I'm personally super excited about generative AI. I think for the first time in a while, we have a technology that is extremely transformational, is already starting to show its potential, and we're at an extremely early stage of that curve of maturity, so it's only going to increase. And in the context of enabling RMs, it's a critical tool. I would say, one of the challenges I see firms in the region having is, where'd you get started? In a way, you're only limited by your imagination in terms

of the number of use cases you could envisage. So, we go down to base principles. We start with what we call the moments of truth. We put together about 30 use cases that we think are relevant, we stop there because we could go on forever, and then we prioritize these through the lens of *what's a moment of truth for a client across getting them to adopt or convert, getting them to deepen the relationship or preventing them from leaving the firm*, as well as obviously attracting on the front end?

That whittles down to 10 or so that we have a high conviction on. Likewise, there's internal use cases, things that are maybe easier to get started with because you're only dealing with internal employees and unleashing their productivity, like RMs. We have six that we feel very strongly about. One around content dissemination, and how you take all the great work that the CIO office is doing, or the product teams are doing, but put it in a much more digestible format and disseminate it through the channels that clients want to be engaged with, WhatsApp, Line, WeChat, not email and SMS and not attachments.

But, there's a myriad of other use cases possible. I do see firms struggling to move forward at scale. There's experimentation going on, there's a lot of interest, but I think firms are still working through, who should own the topic within the bank? To what extent do we want to start experimenting versus solving all the infrastructure components, and getting it all solid from a regulatory perspective? These are things that firms need help with, but there's a lot of excitement and a lot of opportunity. ■

