Building out the Client Proposition – Key Findings from the 2019 EY Global Wealth Survey

Mark Wightman, Asia-Pacific Wealth & Asset Management Advisory Leader at global accounting and professional service group EY, gave a talk at the Digital Wealth Management Forum to highlight findings from the 2019 EY Global Wealth Survey. He told the audience how digital advice is evolving, how higher value-added solutions can be offered, and how wealth management firms can better align pricing with value.

THE EY GLOBAL WEALTH SURVEY IS NOT ONLY a keenly awaited annual report that highlights key trends that have been taking place, but it also offers excellent insights into the next phases of development in the markets around the globe.

"Our 2019 report," Wightman told the delegates, "looked across 26 different countries and is a great read that you can download easily. My mission today is to highlight a few areas that we think are especially relevant in an Asia Pacific context. And by the way, if you then want to mine down further into each country in this region, again please download and read at your leisure."

Four key pointers

He first pointed to four key findings for the report. "The first is turning client switching into an opportunity," he explained, "as we found that one-third of clients plan to switch wealth management providers over the next three years, so firms need to act now to retain and attract clients. The wealthiest and oldest are actually the least loyal and most likely to switch. And the movement of money to other banks and firms happens most often when leaving/changing jobs, starting a business or inheriting money.

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Secondly, providers must deliver high-value solutions because a successful wealth management offering is more than a shop window for products and services. “The firms competing in this business should not appear to be like some sort of supermarket,” Wightman commented, “so firms must think about the high value and high touch solutions that clients want and map back to what the firm and the RM can actually provide.”

Thirdly, he explained that there is rapid evolution in the world of digital advice, with voice-enabled tools and digital assistants the channels that will take the industry and their clients into the future.

And finally, firms must align pricing with value. “Wealth management businesses must recalibrate their pricing models and improve the way they communicate their value to clients,” Wightman noted.

“We are all used to very much of a transactional based pricing model here in this region,” he elucidated, “but we are starting to see that change, as transparency is becoming more widespread and clients are wanting to know how much they are really paying and how their firms and advisers are being compensated. Accordingly, while regulations are not yet forcing this change in Asia, some of the wealth managers are now introducing alternative pricing propositions, rather than just the inbuilt transactional model.”

What the client will want

Wightman mined down further into the detail of the result of client activity and client expectations. EY asked clients what kind of services they are using today and what they would like or expect to use. Amongst the frequently used EY saw that actively managed funds or mutual funds regularly feature, along with tax planning, annuities, real estate investing, and execution of market trades.

“Those are all fairly standard and to be expected,” Wightman remarked, “but what we see more importantly is that the clients might want, and we see nextgen services, which include education, concierge services, estate planning, portfolio reporting, philanthropy, ESG, SRI. So, if you don’t have some or all of these services and offerings today, you should think about them seriously as part of your value proposition.”

Don’t call me, I’ll ‘app’ you

He also highlighted the findings surrounding how the clients react with their wealth managers.

"Here in 2019, we find that 55% of clients now want to interact via mobile applications, with only 15% preferring to use website access, and only 19% wanting either face-to-face or telephone communication. It is a dramatic leap from 2016, only three years ago, when mobile was preferred by just 14% of clients. And note also that website access has slumped from 39% in 2016 to just 15% and we expect that to drop to only 10% by 2022. Meanwhile, our extrapolation is that face-to-face or phone communication will collapse to a mere 6% combined in the next three years."

All of this means that the digital assistant is the next major phase of the interaction. "This is at a minimum chatbots and ideally voice controlled digital assistants. The speed of change is accelerating, and digital is increasingly relevant and increasingly in demand."

Greater transparency required

He turned his attention to fees and transparency, noting that within Asia, more than 70% of Australian and Japanese clients are confident that they understand how their advisers are charging them and why, and how their wealth managers are being compensated.

"But we also see that in Singapore and Hong Kong this figure is only slightly above, or below 50 per cent, so the conclusion must be that more work needs to be done on transparency of pricing and fees, irrespective of the pressures from the regulators, which in Asia are not as extensive or robust as they are in Europe with MiFid II and other innovations."

Evolving the revenue models

As a natural extension to this observation and other developments in the market, Wightman noted how there is an ongoing migration from transaction-driven revenues towards advice-based, or perhaps subscription-based models, or purely based on fees related to AUM.

"We see a number of wealth managers already experimenting with these services," he remarked, "so you might be asked by your private bank if you are going to be an execution only client, or whether you want something advice led, or some other method. In short, we are seeing far more variability and options being provided in terms of your interaction and the fee model applied."