# The Digital Watch, or the Hand-Made Swiss Timepiece?

*Kimmis Pun, Senior Managing Director and Head for Greater China at EFG Bank addressed the delegates at the Hubbis Malaysia Wealth Management Forum, highlighting the need for private banks to add value in order to differentiate themselves from their competitors. How will the world of wealth management reconcile its traditional culture and practices with a new world of digital? For Pun, it is via the hybrid model combining both digital enablement and the human connection.*

AS THE GLOBAL PRIVATE BANKING INDUSTRY STRUGGLES with its own 'Casio' moment, there is a valid and ongoing debate as to how far technology and digitalisation with divert the private banking model from its bespoke, hand-made culture that is so deeply embedded in its history.

To address this question, Pun gave a fascinating talk supported by some excellent slides, drawing on several bodies of survey-backed research from eminent organisations, overlaid with her observations after many years plying her trade of private banking across the dynamic Asia region.

## Your future clients

She first drew the audience's attention to the 2018 EY Wealth Report, in which the authors reported that the global volume of net investable assets of high-net-worth individuals (HNWIs) will increase by around 25% to almost USD70 trillion by 2021.

"EY predicts holistic wealth management will emerge as a new kind of digitalised business model," she observed. "Holistic wealth managers are expected to gain a market share of 30% by 2025, and wealth managers with traditional business models will largely disappear from the market as a result."

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## Traditional is the past

"Traditional wealth management," Pun commented, "means we go to the customer and talk to the customer day in day out and then we advise them and call them. According to this report, that model will be disappearing very soon, so they are not very optimistic about this traditional wealth management model."

Pun noted that EY also concluded that the role of adviser will most likely shift towards the required engineering of the client's portfolio, not just the investment portfolio but more holistically relating to the companies and the families, again all backed by digital tools.

## The digital wealth hologram

"The future business model," she explained, "therefore focuses on the wealth manager's technology and digital infrastructure and is increasingly independent of the adviser. Added value is then generated by technology infrastructure, which enables a holistic perspective on the client's private wealth situation and advice."

Consequently, EY concludes that infrastructure and technology-driven capabilities will be fundamental to a wealth manager's activity in the future. "Digitally-enabled products and advice will have a major impact on the business models of wealth managers in the future," Pun explained.

## Moving at the speed of light

She told delegates that she had seen a number of changes in the most recent year or two. "I cover Greater China mostly," she said, "and the speed of financial transactions is incredible in China today, you can literally apply for a loan online, and within seconds the money is in your account. And they are so adept already at using AI, machine learning and Big Data to help them to make decisions, for example, portfolio reviews and adjustments."

Her conclusion is that if the customer demands it, the industry needs to change. "A fully-enabled digital platform is something which I really encourage for every banker, for every financial adviser to have at his or her fingertips."

## Digital absorption

Pun turned her attention to another erudite report, this time the Accenture Report 2019 - Private Banking in Your Pocket. The authors explain that among HNWIs and UHNWIs, technology adoption is already very prevalent, with 70% of these customers using digital financial services, 85% of them using at least three mobile devices, and more than 40% inclined to use mobile technology to check their portfolios and receive investment-related information.

Two-thirds of HNW clients said they hope that their relationship with their private banker will be primarily hybrid and via digital channels by 2019.

## The 'phygital' world of wealth

More than half of HNW clients over the age of 40 declared they could leave their private bank should an integrated and seamless channel not be provided. These clients are increasingly seeking hybrid advice and multiple solutions to communicate with their bank. UHNW Individuals are no less concerned. 55% of them expect a 'phygital' relationship involving digital as well as physical interaction with their private banker.

## Open minds to adding value

Pun also highlighted how the private banker must offer a wider array of advice and services. "We need to know how to add value in many areas," she advised, "for example in the field of philanthropy, concierge services for our UHNWI clients, trusts, family offices, we need to understand private equity, be able to find fellow investors as well as investments, we need to be able to work on cryptocurrencies and understand the blockchain. That is now our private banking job, demand is changing, so we need to have very broad-based knowledge and not just about investments."

Pun then focused on the Deloitte Report 2018 titled 'Innovation in Private Banking'. Pun noted how in their vision of the future, Deloitte sees millennials by 2020, forming 50% of the global workforce and their fast-rising wealth, making them the most important upcoming client segment. "They are used to digital banking services which are available 24/7, real-time and accessible from all around the world," she comments, "and especially from their homes. They expect more than human touch."

While customer expectations are changing, banks are also facing strong pressure on their cost levels and technology is emerging fast. Complex financial models are no longer only available for institutional investors, but also for individual clients.

## Imagine and re-imagine

"Banks must embrace digital, according to Deloitte," she explains, "they must reimagine the client as to what new and different services are needed to help clients maintain their grip on their financial well-being. And they must engage in an increasingly more open ecosystem consisting of fintech, social media and third-party providers."

Against all this background, how then do RMs add value and differentiate themselves?

The traditional way is the investment strategy, solutions and structuring for tax efficiency and family legacy planning. Then there is the investment consulting management review, and then the financing solutions. "That is as it is now, essentially," Pun observed.

But in the future, a Fintech focus on business with clients will allow for portfolio and investment management services on a digital-only basis, as clients can access investment information directly and they can also exchange ideas digitally or mutually invest funds with peers.

## Automating the ideas flow

"And advising has changed as user-generated investment strategies such as social trading and robo-advisers provide automated advice at a manageable cost and thus enable clients with low asset volumes to be served efficiently," Pun explained.

"Moreover," she added, "investing has changed as clients are much less dependent on their advisers and can execute their investments much more easily, with more flexibility and significantly faster."

## But humans still offer a different view

However, the good news for the professionals in the wealth industry is that while digital wealth management is growing, face-to-face advice is not expected to become obsolete. "Skilled advisers," Pun reported, "can create value for their clients and offer them tailored recommendations, particularly where decisions are more complex or involve higher value transactions."

Hybrid advisory models are therefore the most promising compromise, as they combine personal and digital components to reduce advisers' administrative tasks, and thus allow them to concentrate on their advisory role and increase client proximity.

"In this vision of the future," Pun elucidated, "RMs and advisers would spend more time understanding clients prior to offering altruistic and comprehensive personal and/or corporate solutions according to the client's perspectives and future plans."

## Broadening advice and solutions

Such advice and solutions would include legacy planning, asset preservation and protection, optimization of assets, intergeneration businesses and asset transitioning, family office and governance, as well as philanthropy structures and missions.

"All solutions in terms of products," Pun noted, "would be derived through best-in-class open architecture access to a huge product universe, narrowed down using AI and tailored to the individual. And with the hybrid model, human insights and the human touch will remain very important, at least for the foreseeable future, especially here in Asia." ■