Link to Article on website

The Next Generation of Digital Tools for Asia's Wealth Management Community

On June 30, Hubbis hosted a virtual Digital Dialogue discussion focusing on the latest digital solutions in the world of Asian wealth management. As technology revolutionises the offerings and efficiencies of private bankers and others across the wealth management community in the region, adopting and refining the right strategies for digital transformation are even more vital than before. This is especially true with the downturn in the global markets at the same time as new entrants are intensifying their challenges to the incumbents. Our panel of wealth management and FinTech/technology experts analysed the characteristics and the outlook for the Asian wealth management market. They defined the key evolving business trends and identified the digital needs for the years ahead. They helped delegates understand the best approaches for wealth industry players to take in order to position themselves to at least remain competitive and, at best, move ahead of the competition. Their focus was considerably less on internal efficiencies and cost savings, as those are more hygiene factors today. They instead focused far more on the delivery of a client-centric and client-friendly wealth management offering that is driven by advisory and aims to achieve maximum loyalty amongst the clients. Those clients could be the mass affluent customers served mostly digitally or the private banking segment clients who work more with digital solutions in alignment with the relationship managers and advisors whom themselves are increasingly empowered and enhanced by a range of the latest digital solutions. Optimising the digital solutions right across the wealth continuum is no longer a luxury, it is an imperative. As one expert proclaimed, if this can be achieved, the wealth management leaders can welcome their clients to their version of 'Hotel California', where those customers check-in and then never leave.

SPEAKERS

MARK WIGHTMAN
EY

DAVID WILSON
Accenture

ANDREW BRESLER
InvestCloud

RAVI KANTETI
Bain & Company

PARTNERS

CREALOGIX

investcloud®

CLICK HERE TO VIEW WEBINAR ON DEMAND

CLICK HERE TO VIEW OUR DIGITAL DIALOGUE SERIES HOMEPAGE

Setting the Scene

Everyone knows that the pandemic has turbo-charged the drive towards digitisation, some of which is more catch-up and some of which is more forward-looking, proactive, and market-leading. Accordingly, the experts, all leaders in their fields, mined down to analyse where technology investment is focused today, from back-end to front-end, where it has been most effective, and where the newest and forthcoming digital solutions will be able to significantly enhance the offerings.

The panel also analysed whether technology investment is being properly targeted and executed, and they discussed how the wealth management organisations competing in the Asia region could best select, adopt, and also assimilate these new technologies. The reality is that much time and money can be wasted by not taking the right approach to digitalisation and by making the wrong decisions.

But on the other hand, they analysed the types of smart, targeted investments taken with clearly defined operational and business goals in sight – all with the private client's needs and experience front of mind – and how those will significantly boost their competitive position. The panel highlighted the key advantages for those who get this right and the significant risks for those who fail to take the right steps or who misdirect their technology investments.

Digital is today's beating heart of wealth management, with the customer as front and centre driving the proposition and fast-tracking innovation

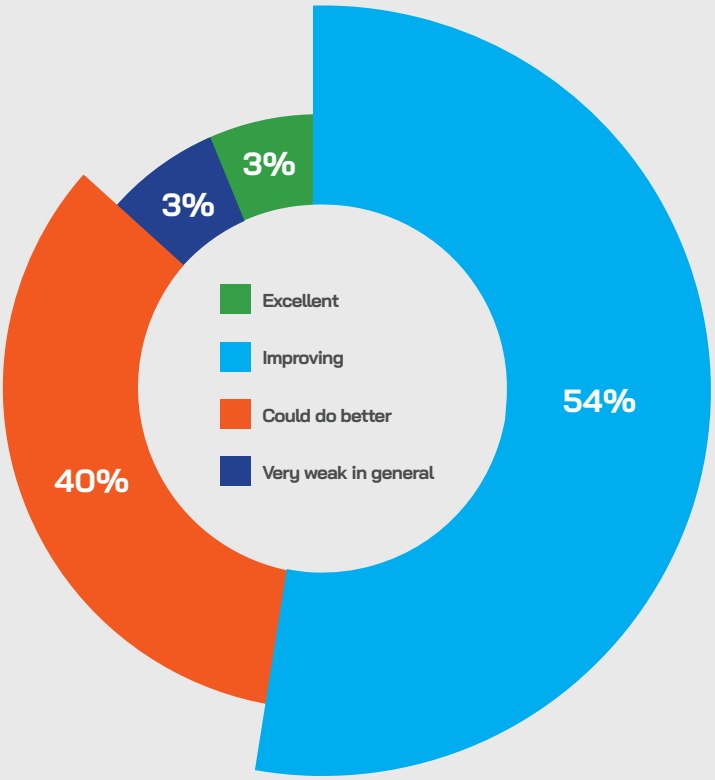
A speaker opened his commentary by reviewing what banks and wealth managers are focusing on most energetically in terms of their ongoing digital transformations. "I could take the full hour to cover this topic, but I will try to be brief," he quipped.

Technology, he said, drives the beating heart of the wealth management business. "When we talk in particular about the spend on digitalisation in recent years, most banks and firms have very different goals," he observed. "Some may be focusing on the wealthier clients, some on the whole wealth continuum as they move clients through retail to mass affluent and then on to become private bank customers. But overall, we can see that a large slice of spend is around the customer experience, enhancing how they interact with the clients, and to achieve that, they have been boosting the toolset for the RMs and advisors."

He said that these tools are helping deliver the right approach and interface, right from the onboarding and KYC phases and through to suitability, relevance, personalisation and optimised investment and other solutions for these clients. "Digital spans the whole sector, helping boost processes, helping de-risk the banks, enhance the customer experience, improve the RM's capabilities and engagement, and so forth," he stated.

The Hubbis Post-Event Survey

HOW ADVANCED IS ASIA'S WEALTH MANAGEMENT INDUSTRY IN GENERAL IN TERMS OF ITS DIGITISATION JOURNEY?



Digital transformation and its role in helping to grow the client base, keeping those clients, and boosting the overall offering

A panel member defined his firm's mission as digital transformation focusing on three areas – helping the wealth community grow their client bases, helping them retain those clients and helping them build operating efficiency for the clients.

He explained that they look at the market in two segments. The mass affluent segment includes the up-and-coming clients who are still building their wealth, and here the focus is really on the strategy for reducing the cost to serve those clients, using digital and turning what have historically been product-led journeys into client-centric and client-led journeys. He explained this involves investment in engagement via the UI/UX components and in providing advice digitally to clients.

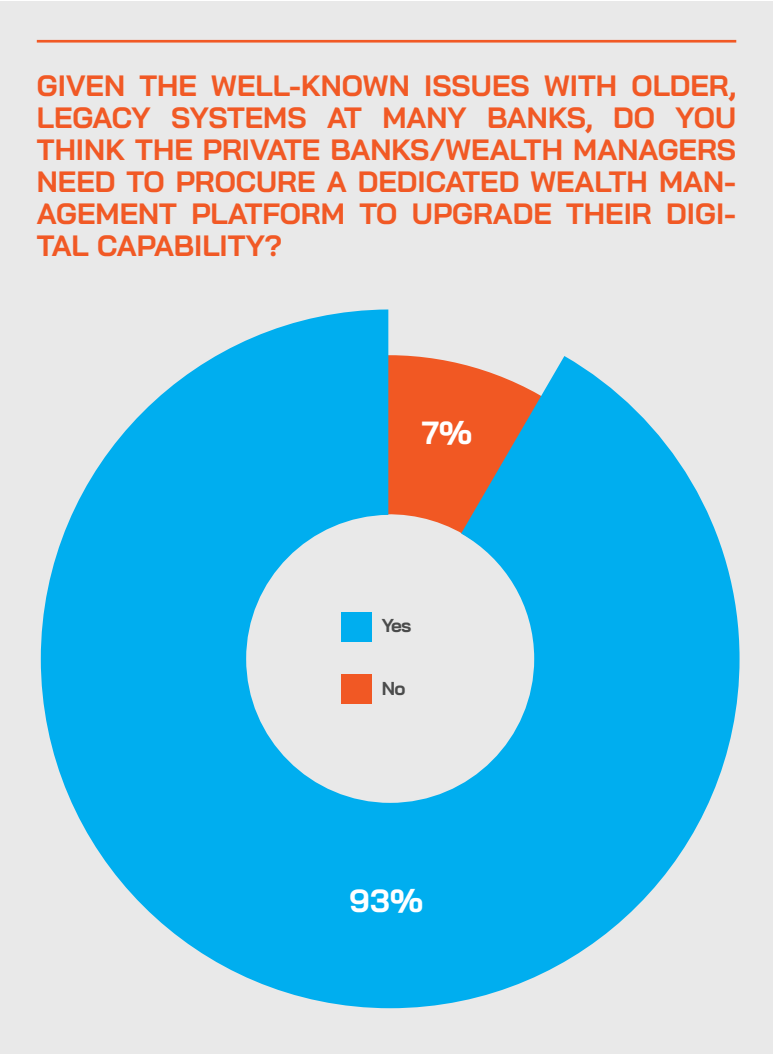
In the typical HNW and above private banking client segment, he observed the key to success is driven by the quality of the RM. "There is a war for talent there, and the digital drive is all about boosting the productivity

of those RMs, and this is where we are doing a lot of work in this region," he told delegates. "To be successful in that strategy, a key component is a really strong data strategy, so that means understanding your data at source and how good it is, and then using that data effectively, and putting the right tools around that data strategy for the RMs."

And he explained that some of their most sophisticated customer banks and firms are also using AI and machine learning in that space, or at the more basic levels, this is about consolidating sources and delivering advice and solutions simply and efficiently to the clients.

The importance of seeing through the mists of the immediate market changes to spot and analyse the major trends and seismic shifts taking place in the wealth industry as the client-first and advisory-led proposition takes shape

Another expert opened his observations by saying that the industry needs to look beyond the immediate and obvious trends, for example, such as DPM, ESG, diversification of assets and so forth, and see through to the major shifts taking place. "We have all heard about the transition taking place from a product-centric journey to a client-centric journey, a point which needs to be hammered home again," he said. "You need to step back and see the fundamental shift that is taking place, and for me, what wraps it all together is the evolution towards advisory."



He expanded on this, stating that trying to sell products that are wrapped up with a nice narrative is not advice. "We are seeing the demand from clients and the industry for a journey towards advisory-based sales," he elucidated. "The way you actually seek to understand the client's goals, the target outcome, of course, the suitability and other elements, and then you assemble a portfolio with an associated set of products, clearly linking to a sale eventually, but driven by advisory. It might sound simple, but it's actually not very widespread."

He added that this evolution would play out differently in the various wealth segments, from retail, where the advice more be more digital, to the private banking clients served omnichannel and hybrid, with the RM being much more important to the equation in those upper segments.

Those incumbent banks and other competitors that do not strategise and plan carefully and adroitly will risk failure in their digital transformation journeys

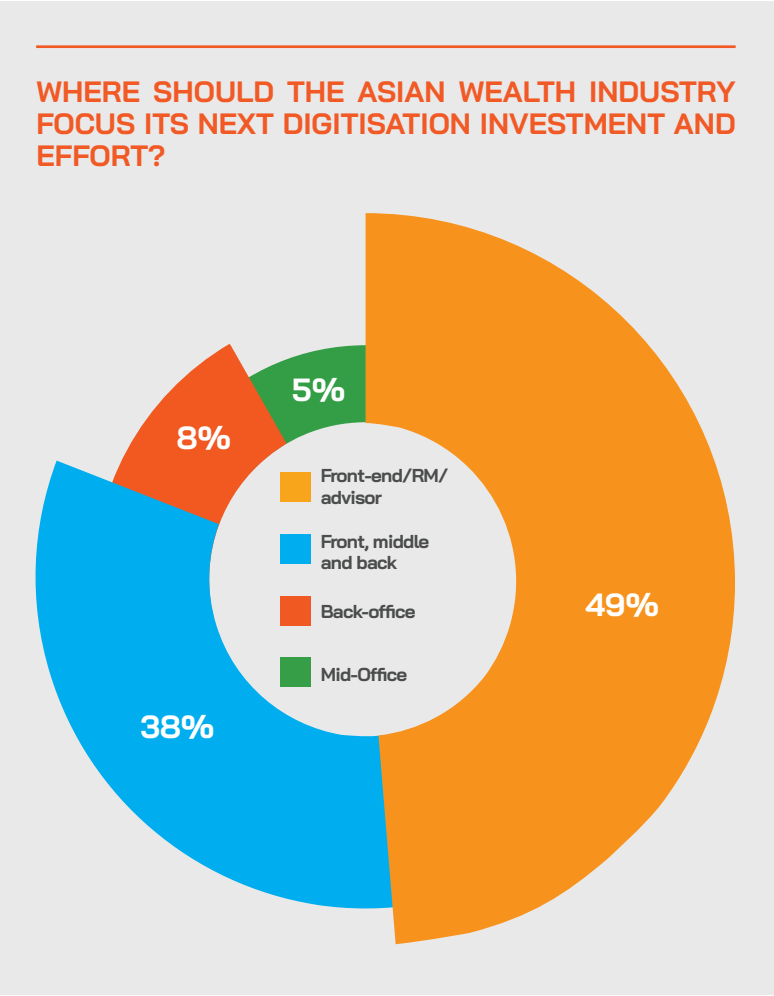
A speaker explained that faced with the very necessary digital journeys ahead, the first point of call is

strategy. "You don't just implement a digital journey in isolation; you work out the strategy, you break it down by business lines, wealth segments, and you look across to all the constituents of the business, including of course the shareholders who hopefully will benefit from the ambitions you set with regard to AUM growth, profitability and so forth," he explained.

The incumbents should then define the value proposition and the products and prioritise the targets they want to achieve first, he said. The goals around the services suite and the operating model need to then all be defined in order to arrive at the right platform and the right set of tools to achieve the goals set out by the broader strategy.

He said it was vital to ask the right questions in order to find the right answers. "You really have to start with the right set of questions that you need to answer," he summarised. "Sometimes the strategy is kind of not really there; the journey might be partly defined but is really more like one slide from a powerpoint, and not representative of the whole picture. To solve the issues and solve the operating model you need, you need all these elements in place, or you are never going to get to the bottom of the key issues."

He also stated that while many of the banks are staffed with very smart people, the rigour of systematic digital transformation strategy and then execution is where things often fall down. "They might start with the best of intentions, but - and yes, this is a plug for the specialist consulting business we represent - bringing in the right people to really help focus and realise their objectives is a smart move for most of these banks."



Another expert highlighted some of the innovations he expects to be able to help deliver to customers in the region, and at the same time reiterated that a carefully constructed approach to transformation is the prerequisite for success. "This is a bit of a sales pitch of course," he said, "but firstly I do believe that you need the right partners to work with. We are an innovation house as much as we are a product house, and constantly pushing the bounds of innovation through a partner will help you [the banks and wealth firms] bring something that's new and exciting."

He said a key component to arriving at the right innovations is to define the value proposition, and your ability to build that value proposition by piecing together bits of either an ecosystem or assembling in a modular fashion to help piece together the sort of unique and exciting offering required. Behavioural science, he indicated, can significantly help achieve these goals.

The competitive landscape is increasingly diversified, with challenges coming in all the wealth segments and from all directions

A panel member addressed the key drivers for change,

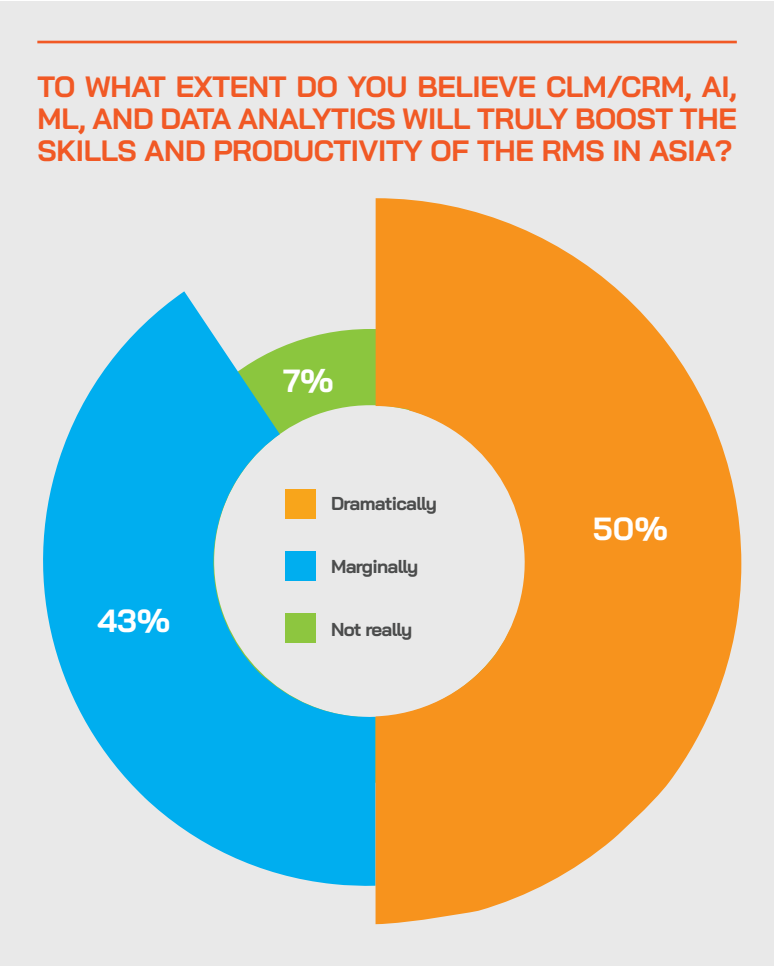
starting with the increasing competition, especially the rise of the FinTechs and the robo and digital platforms, all of which are particularly well suited to compete in the mass affluent market. The banks themselves are also increasingly competitive, at least those that have been assembling and effecting significant digital transformation agendas. "In short, there is rising pressure to take pre-emptive action," he reported.

The other driver is time. Many banks and other institutions might have declared targets to their shareholders and then have to realise those goals. "But they also know how long it takes to get anything designed, syndicated, endorsed, and then built in a financial institution, so they know they must get going rapidly in order to produce visible results," he said.

And of course, there are both the cost sides and the revenue sides. "Your new digital advisory journey for the affluent segment is not just there out of the goodness of your hearts because you want to give a better client experience; you want to grow revenue, you want to get more cost-efficient, especially with the costs of acquisition per client nowadays," he observed. "These are fundamental financial performance reasons that come down to results and then individual bonuses."

In the more challenging global financial environment, getting digital transformation right is even more critical than at any time since the global financial crisis

A speaker observed that the investment environment had changed very significantly from the decade-plus long and rising tide of indices and asset valuations since the nadir of the global financial crisis.



"This is naturally changing how the wealth industry approaches and aims to monetise their clients," he commented, "and in an environment where everyone has been chasing talent and driving up salaries, the industry needs to stop and think if there is real value to be obtained if they are paying key people another 20% or more. Moreover, the assets do not really move with the RMs like they used to due to the regulatory environment and the onboarding complexities, all of which remain highly challenging, despite all the digital advances of recent years."

He noted that there had been some shift toward discretionary portfolio management to boost revenue predictability, but the wealth industry is facing a bigger challenge as the world of investments enters a new and more difficult phase.

"We have seen a stronger push towards DPM, and the industry has shifted towards promoting more ESG-centric investments, and towards more private and alternative assets, as well as some dabbling in digital assets," he reported. "Looking ahead, clients generally need more CIO-type perspectives, more expert guidance and advice, and more help with challenges around portfolio formation, liquidity and so forth."

Differentiation – easier said than done and even tougher to keep ahead of the pack, especially the new ranks of digital 'attackers'

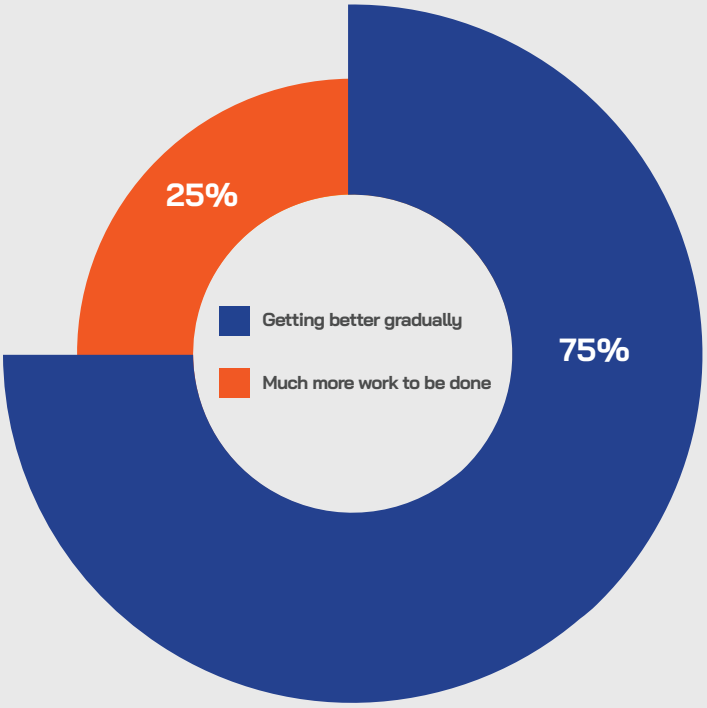
A speaker commented on the need for differentiation but told delegates how difficult it is to achieve, not only relative to peer group competitors but to combat what he termed the 'digital attackers'.

"It is really important to lay out the user experience you're trying to offer for all segments of clients, and these days, I agree that the ability to truly differentiate is starting to thin. Actually, I think the differentiation is more on how well the banks execute their transformation, in other words, how well they pull it off."

Another expert offered his views on the art of differentiation, which he said is usually rather fleeting nowadays, as advances made are soon copied or even outrun by other innovations amongst the competition.

"The moat around some of these innovations is not impossible to breach," he observed, "so the advantage is only for some time for the first movers. But you might find it surprising to know that you do not have to be state of the art in innovation – some private banks still do not allow clients to trade via their mobile apps. In short, your advances do not always have to be centred on the super-exotic areas like Metaverse, base, campaign management and all that. Sometimes, the basics can also differentiate because of the relative state of the other players in your markets."

HOW WELL IS THIS EFFORT PROGRESSING IN ASIA'S WEALTH INDUSTRY TO MAKE THE RMS SUPER PRODUCTIVE AND EFFICIENT (AND ENJOY THEIR MISSIONS MORE)?



Another panel member also opined on the importance of the direct-to-client portal. He said the pivot taking place is shifting client portals from being product centric into client centric. The client centric portal is founded on understanding the client, through use of data, acquisition of information around the client and so forth, and on a continuous basis.

"The wealth industry wants more eyeballs on their client portal, which will result ultimately in the purchase of product, with that product increasingly packaged up in an advisory space and predicated on understanding the client and what they want and their position in their wealth continuum journeys," he explained. "We expect to see more effort at driving eyeballs to hit the screens and the apps in the financial service industry generally."

Freeing up and boosting the skills and productivity of the advisors and the RMs is essential to delivering a robust offering in the higher segments of wealth

A key area of differentiation is certainly around enhancing the RM's capabilities, delivering them a so-called cockpit from which they can conduct their orchestra of advice, products, and clients.

"The RM cockpit is important, and it ties into the broader conversation around RM empowerment,"

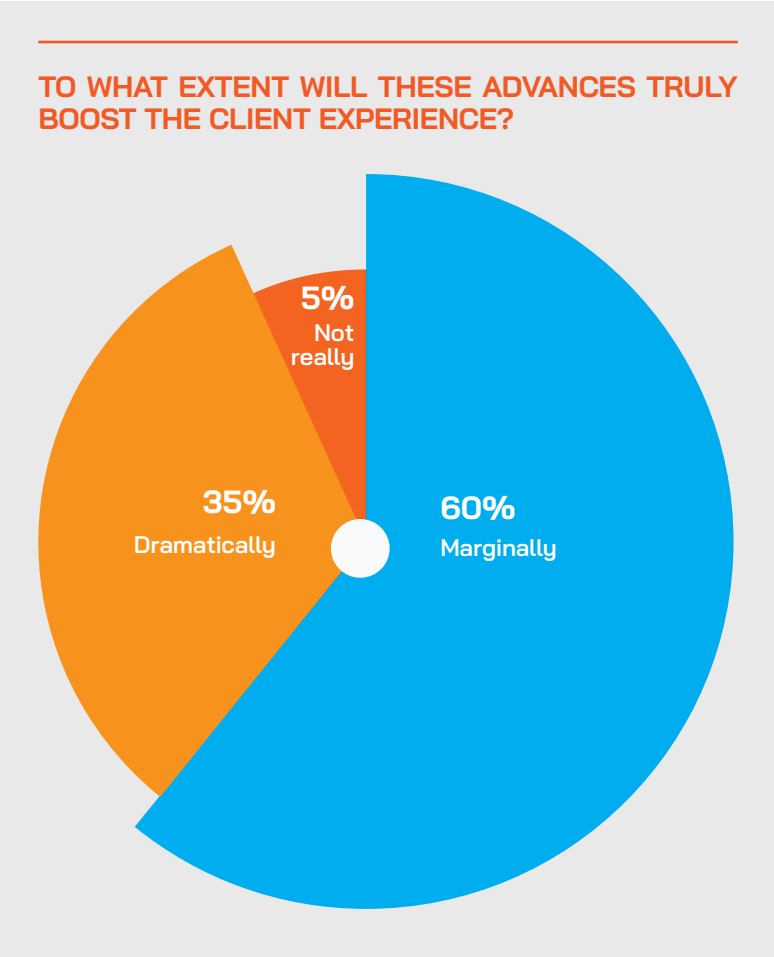
a speaker told delegates. "In the populous markets of Asia, we clearly can't have an RM-intermediated journey for everybody, just because of the level of affluence, the demographics, and the sheer size of many of these countries geographically."

He pointed to a recent report on the development of wealth management in Asia, noting that the industry is targeting a doubling of AUM by 2025. "That will be achieved, they believe, partly by hiring numerous RMs, but we all know that is a dangerous game as it drives prices of talent much higher, so it is just not sustainable," he observed. "So, you need to achieve more with your existing RMs."

But he reported that their research shows that these RMs have been spending on average 50% of their month working on non-income tasks. This, he said, not only weakens revenue generation but impairs loyalty amongst those RMs, who in turn are expected to handle more clients – as many as 400 in the mass affluent segment - and win more AUM from them. "This means a lot of frustration and attrition risk," he said.

He told delegates that their survey had asked RMs across eight markets in Asia how important they consider the RM cockpit, and that 80% had replied that it is indeed very important.

He said this means that there are easy gains available. "This is the low-hanging fruit that can easily be grasped," he stated. "Consider how tough it is to win new clients compared with the relatively much easier challenge of your existing RMs becoming much more productive. There are challenges to getting the cockpit invested, issues in making it efficient, and there is change management required. But, compared with finding a new RM and then going through the nearly two years for them to become productive in their new house, this is far more effective. That is why we are beating this drum so loudly."



A fellow speaker agreed with many of these views, and also commented on the RM portal [some would call it the cockpit] which he said is designed to supercharge those RMs with knowledge of the clients and the markets and products, with insights, and significantly with help on tailored ideas and advice to the right phases of the clients' lives and their portfolios.

He said all these elements come together to boost RM engagement with clients and that is where they can start to push the boundaries of personalisation and 'stickiness'. "The key to success in RM portals and advisor portals is driving value for both the client and the RM," he said. "It is far more than just simplifying the RM's day to allow him to distribute more of the product. It's about both ends of that spectrum, for the client and the relationship manager."

Talent wars are playing out across the entire wealth management industry and successful digital transformation is a key attraction for the best people, whether RMs or technology experts

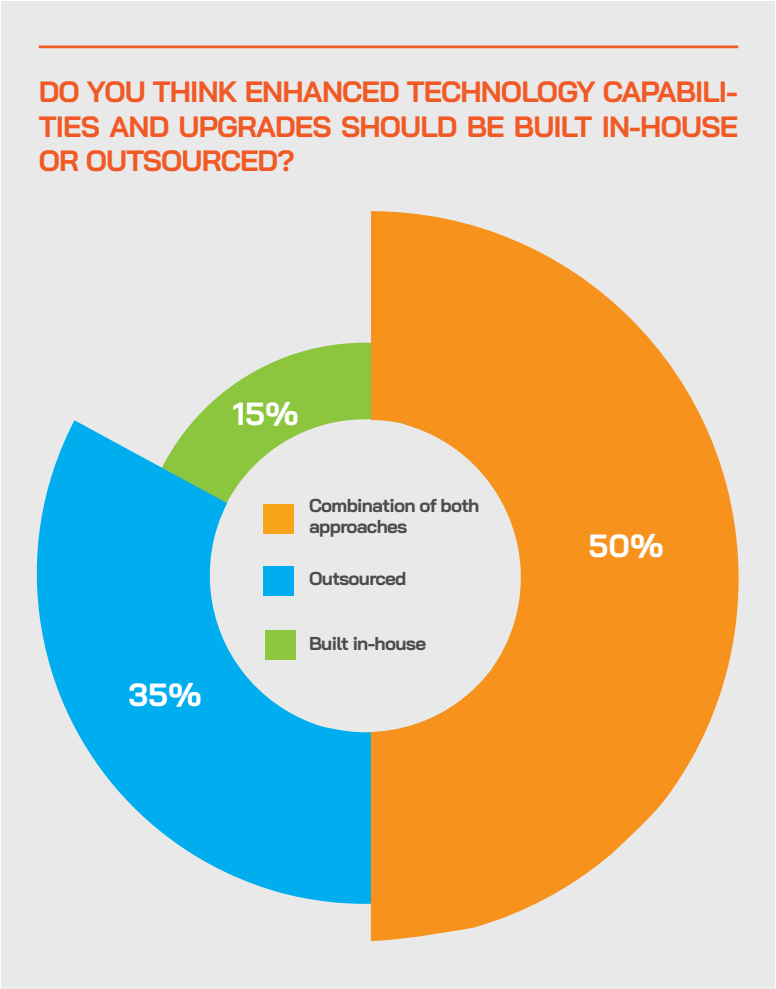
Across the full spectrum of the wealth industry, there is a battle for the right talent to expedite plans. "Some banks and firms

have put themselves ahead as they are perceived as offering the best environment for the RMs to deliver their best to their clients," an expert observed. His comments were fully supported by all the panellists, who highlighted the importance of digital excellence for both internal talent and to attract new talent and of course to enhance the client offering and user-friendliness.

The drive to achieve efficient and effective digital client-centricity and a balanced, hybrid model – not so easy to achieve and many potentially wasteful missteps must be avoided

Lots of time and money can be wasted by not getting digital strategies and transformation right. A panellist referred to the need to balance digital and human excellence. He pointed to a very recent report produced in conjunction with Oxford University. He explained that the report talks about digital transformations and the difficulties around those, finding that 67% of those C-suite experts surveyed had been involved in at least one underperforming transformation over the last five years. "That is actually a rather shocking statistic," he commented, "so we all need to get a lot better at this."

Moreover, he added that the world faces a more challenging economic, financial and investment landscape ahead, meaning that getting these transformations right is even more vital than in an easy revenue situation.



"On the digital transformation side, clients are clearly looking very carefully through a value lens, and on the business side, banks we speak to are slowing their hiring, trying not to dive costs ever further higher," he said. "And just as the pandemic drove further digital transformation, we anticipate this downturn will also encourage more of the same, but with an ever-sharper eye on costs and value and a clear mission to align human and digital capabilities. People and technology are the keys to getting this right."

He also offered some observations on the speed of transformation and the evolution of the wealth market and offering, noting that the business environment in the APAC markets will likely lead to consolidation via M&A as people reassess their businesses, the segments in which they compete, and their range of products and services. "The landscape is changing and will become more interesting," he said, "and we are certainly keeping an eye on these types of developments."

Another expert observed that if the banks want to offer what he called 'client 360' they need their data harmonised and they need to also know enough about their clients to deliver relevant personalisation.

He explained that private banks and universal banks are approaching this aspect of wealth management

with different priorities. "Private banks are basically trying to see how they pivot from transactional revenues to advisory revenues to increase stickiness with their clients," he explained. "And the universal banks, seeing the democratisation of wealth, are looking at how to address the broader wealth continuum."

To achieve these goals, he said the banks need to truly understand and define their end-to-end strategy before they jump on the bandwagon of digital transformation. He explained that they need a multi-year perspective and some objectivity about their ability to innovate and to deliver on their ideas.

While the wealth industry in Asia strives to enhance its offerings – with digital solutions central to that mission - the banks and other competitors need to become the first-choice trusted advisors in order to win and hold on to their clients

A panellist rounded off his observations by noting that while HNW and UHNW clients were by 2021 some 95% satisfied with their portfolio performance, this is hardly surprising after a 10-plus year bull market.

"But we then asked these clients how satisfied they are with their banks and wealth firms, and fewer than 50% said they were satisfied, and some 30% said they would move house, which one can take with a pinch of salt, but the reality is that the findings present a clear call to action that these players need to up their game. If large amounts of AUM shift banks or firms, that is somewhat frightening if you've got a suboptimal proposition, and rather exciting if you have a proposition that will draw those funds to you."

He said this all centres back on the thrust to advisory, either mandate-driven advisory where clients pay a fee for advice, or transaction-based revenue but with a proper advisory wrapper.

"Clients in Asia as we all know tend to work with a number of houses, and our research showed that 60% of any Asia-based client's AUM is with their primary firm, dropping to 29% for secondary, far smaller for the third bank or firm, and nothing really for the fourth. This means to get to double the AUM by 2025, these players need to be primary banks for most of their clients; otherwise, they are merely boutique type players."

And he addressed the question as to whether there is a correlation between advisory and being the primary wealth management firm. "Yes, our survey showed that there is a real correlation between having an advisory proposition and delivering it well, providing an end-to-end goals-based portfolio led with the product on the back-end, versus either not providing those, or delivering them poorly. In short, you can really quantify in dollars and cents exactly why it's so important to have a really strong advisory-led proposition."

Welcome to the wealth management 'Hotel California'

Another expert picked up on the stickiness element, adding that the quality of advice and education around that advice are critical components. This will help the clients become increasingly 'sticky' to the brand. "Internally, we call that the Hotel California effect where once you are in and we know so much about you, you're never going to leave," he quipped. "The clients need to be entangled with your brand and with your offering." ■