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WEALTH MANAGEMENT



Do clients care about your digital transformation?

EQUATOR
TAKE ON TOMORROW

Introduction
client expectations in wealth management's new reality

Wealth managers face a conflicting new reality. Digital disruption, shifting demographics, and evolving expectations are triggering dramatic transformations, which must also accommodate a constantly changing regulatory landscape.

At the same time, significant opportunities are on offer: nearly $80 trillion in new wealth will be created over the next five years.[1]

But how do wealth management firms capitalise on those openings?

Should they prioritise a better experience or greater efficiency as the world goes digital?

What do their customers want?

Do they expect apps and online portals or a direct line to the people managing their money?

To get under the skin of the issue, we interviewed wealth managers and high-net-worth individuals, comparing their responses with what is being delivered by firms.

The overriding feeling is that wealth managers have made strides to transform what they offer and how it's delivered. However, these changes have not kept pace with rising expectations among HNWI. Innovations in adjacent sectors like retail banking, with the rise of digital native neo-banks, are altering what clients want.

So the question is... how should wealth managers respond?

[1] https://web-assets.bcg.com/24/f5/f3776eb4427fa57471dddc921211/bcg-global-wealth-standing-still-is-not-an-option-jun-2022-r-4.pdf



What HNWI really think of wealth managers

First, it's important to understand what HNWI think of advisors.

In our interviews, it was clear that clients don't think about efficiency or experience; they consider how well-advised they are, whether their wealth manager can be relied upon, and if they can build a beneficial relationship.

One bad experience can kill the thought of using a wealth manager. A legislation change had previously exposed one HNWI we spoke to, but rather than help, the advisors they had been using closed their businesses to avoid liability.

Another had a good relationship with an advisor but was wary of what they perceived as aggressive, sales-focused tactics from other firms. They enjoyed their manager's proactive advice on how investments could perform better, not being sold to every time they had a conversation.

What this means for experience vs efficiency:

First and foremost, this highlights the need to deliver a positive experience. This will vary between individuals and their circumstances. Therefore, having the ability to quickly determine what clients want and how they want to receive it will be critical. Wealth managers need to find efficiencies in their relevant processes to do this at scale.



Why innovation in other sectors impacts wealth management

Determining what a great experience looks like to clients is easier said than done when expectations are evolving beyond all recognition. HNWIs are living in the instant, same-day delivery, app-for-everything world as much as everyone else, and their experiences in other sectors are influencing what they want to see in all aspects of their lives.

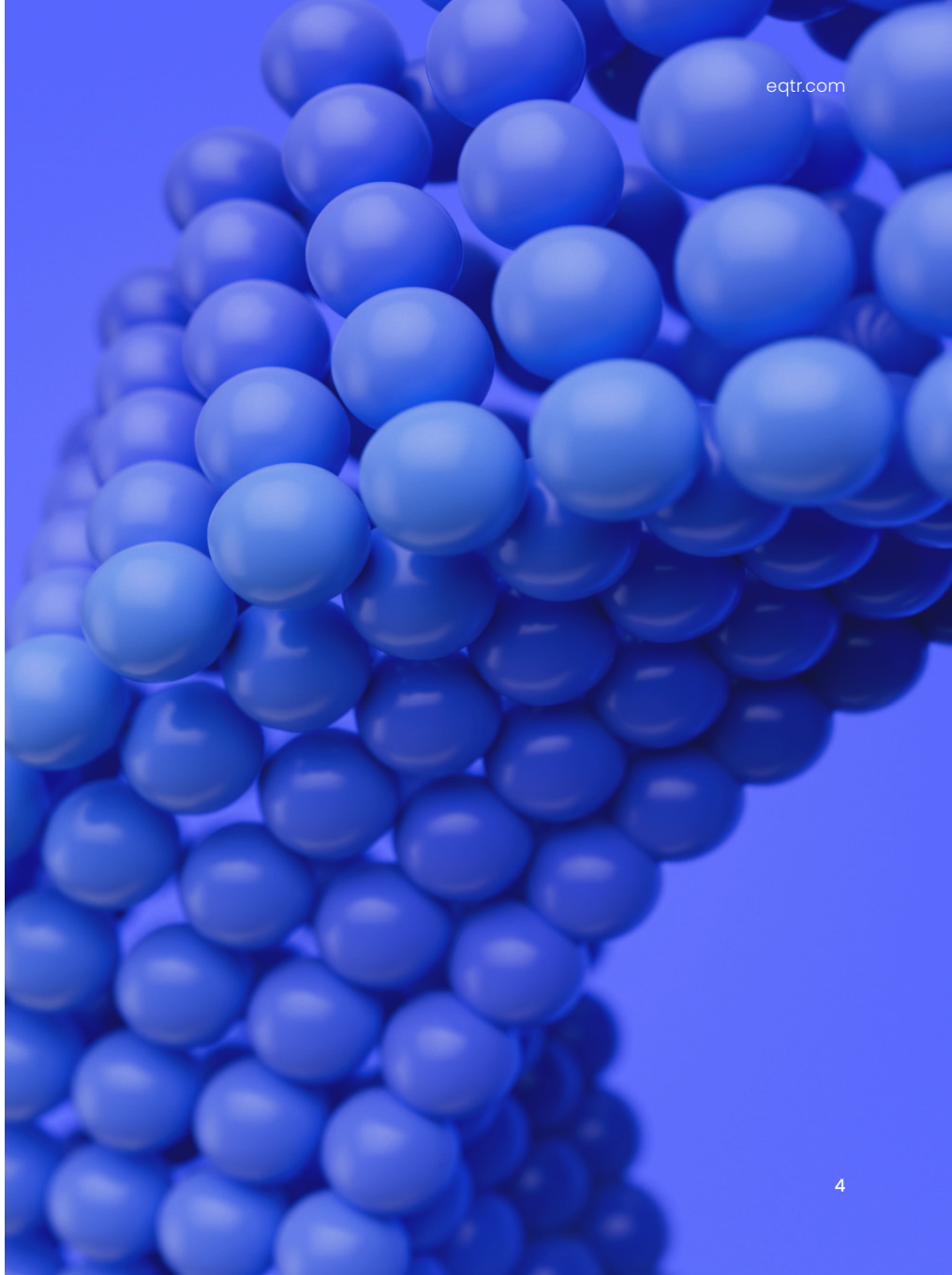
Wealth management is no different. Our interviews produced a good example of this, where neo-banks' impact on the retail banking sector was mentioned. One HNWI said they never heard positive things about traditional banks or their services; the only time anyone said anything good was when talking about a new bank, such as Revolut, Starling or Monzo.

This indicates that, while not a retail bank, wealth managers will be judged by the same standards as digital-first, challenger banks.

That doesn't necessarily mean focusing solely on digital engagement. One wealth manager cautioned, **"It's a myth that clients demand more technological solutions."**

What this means for experience vs efficiency:

It's clear that innovations in other sectors, particularly adjacent ones such as retail banking, influence what clients expect from wealth managers. Understanding the difference between what HNWIs want versus what they need is vital; investing in user-friendly interfaces is all well and good, but it will be a waste if they don't provide the services clients truly require.



When transformation might not actually be transformation

To be clear, technology does have a critical role to play. The nature of life today means it is a certainty.

But while many wealth management firms believe they have already transformed, whether they have is up for debate. The tools they're investing in are available to all; what will help differentiate from the competition is finding ways to use the features available in those platforms, integrate them with their other technology, and then use the resulting services to empower users.

It is also important to remember the human element and ensure it doesn't get left behind in a rush to go digital.

It's an issue wealth managers are seeing. **"Some of the technology being introduced doesn't consider the human, or emotional, side of things,"** one manager noted.

The focus must be on providing value and not just adding what the same interviewee called **"bells and whistles that aren't making a difference."** This can be challenging when clients demand technological solutions, particularly variations of what they've seen in other parts of their lives.

In our experience, this happens when firms focus on the technology without considering the other components that enable successful digital transformation: people, processes and data.

For instance, the explosion in interest in artificial intelligence might push wealth managers to invest in AI-powered tools. Robo advisors certainly have a role to play in supporting the client relationship, but they need to be used in a way that adds real value to processes and utilises the appropriate data, not just to feed the latest hype.

When transformation might not actually be transformation

Whatever the use of technology, HNWIs expect to maintain a personal connection with their advisors.

One client outlined the ideal: **"some form of app or dashboard where you could see what's going on and make simple changes while still having a direct number for the person managing your affairs and knowing there is someone on the end of the phone."**

That combination, where technology augments humans, will vary depending on where and how it is applied. Onboarding is one area that could benefit, improving efficiency to enhance the overall experience. As a first contact between client and advisor, having a streamlined process often made the difference between a good and bad relationship. Automating basic steps frees up employees to focus on value-add activities.

What this means for experience vs efficiency:

Technology alone does not imply a firm has transformed; the changes to people, processes and data must also be incorporated to be truly transformative. Remembering that any project is not one-and-done but an ongoing process is also important. Data gathered from initial implementations need to be fed back into so that services can be tweaked and readjusted to continually meet users' needs, whether client or wealth manager.

Do clients trust wealth managers?

One overriding theme of the interviews was the desire for trust and transparency.

One HNWI used a wealth manager to manage their personal wealth because the advisors had done a great job setting up pensions and life insurance for the client's business. Since then, the manager has adapted their approach to providing a proactive, tailored experience to the HNWI, cementing the relationship.

That relationship combines the human touch with information delivered in the way the client prefers. This is critical to transparency; throughout our interviews, it was noted that an inability to report on performance in a way that suited the client contributed to a perceived lack of transparency.

Wealth managers should be wary of providing too much information, however. Anyone can access anything at the touch of a button. However, as one wealth manager said, sometimes their role is to advise clients to act **"in the best interest of their money, and not necessarily their own preferences,"** particularly during downturns or negative market situations. Too much of the wrong, unfiltered information can cause panic. In those instances, advisors need to think about how and what they communicate and via which channels to protect HNWIs from themselves.





Do clients trust wealth managers?

Yet offering those sort of services can be challenging. Again, this is where technology such as robo-advisors can help deliver the level of experience clients expect while improving wealth managers' efficiency.

And it is these more efficient ways of working, whether back-end systems that support wealth managers or applications and dashboards that help clients, that enable the sort of tailored experiences HNWIs expect at scale.

What this means for experience vs efficiency:

This isn't about the gamification of investment, trying to compete with online investment platforms. It's about digitalising the parts of wealth management that can be automated to free up highly knowledgeable advisors. Only by doing this can they offer the advice and recommendations HNWIs want at scale. So it's about efficiencies enabling experiences.

Want to know more?

Interested... in finding out more about how wealth managers can balance the need for efficiency and experience?

Look at our website on this topic, where we explore how wealth managers can prioritise what they need to deliver and the steps they need to take.



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From strategy to digital transformation, we are guided by insights, driven by data, powered by technology and inspired by people.

We are agile, work at pace and quickly create value. We turn today's challengers into tomorrow's market leaders. So let's take on tomorrow, together.



LET'S TAKE ON TOMORROW TOGETHER

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