WHITEPAPER

THE WEALTH MOSAIC

Productivity and growth in wealth management

– spearheads for lasting success

Our recent survey of UK based, C-suite wealth management executives examines productivity and growth initiatives within wealth management, and identifies the role that technology plays in the success of both.



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By Joey Cozens-Smith,
Managing Director, FA Solutions

We are pleased to sponsor this white paper which examines the various facets and interlinkages between productivity and growth within the UK wealth management industry. It also uncovers the role that technology plays in supporting both productivity and growth, as well as identifying the need for change management to make best use of the technologies and tools available.

At a high level, the paper found that many firms are looking to maximise productivity gains via best practice in terms of their processes and their target operating model. This is something we find with our own client base; margin pressures often make it more cost effective to make internal changes than to make significant financial investments in new projects and commit resource to new technology implementations. However, a recurrent theme we also see with clients is that this approach leads to a Catch 22 situation, where internal best practice reveals the need for new technology to support productivity and growth, but a seemingly perpetual budget squeeze precludes spend.

This can appear to some to be a bit of a paradox! Technology is evolving at the fastest pace it ever has, but simultaneously the slowest pace it ever will because the future pace of change will only become faster! When it comes to the technologies available to wealth managers, the need to carefully map out what is actually needed, and to clearly define the purpose and role of any new technology within the overall mix is imperative.

In that context, firms and vendors need to work together to set clear goals and to take a good look at their long-term technology needs, to avoid running the risk of going for the shiny new car. This is reflected both in the paper, and from our clients who say they are looking for the next generation of technology to serve the needs of the next generation of wealth in a productive and growth-enabling way.

Data

Indeed, one of the biggest issues cited by respondents who contributed to this paper is data, with many firms still running multiple versions of the truth over disparate legacy systems or workarounds sitting in purgatory.

Today, younger investors want greater personalisation and a broader range of products and services, fast and without hassle. Systems and processes therefore need to cope with a more demanding client demographic, and the entire ecosystem; both internal and external, needs to work seamlessly and be fully integrated if maximum levels of productivity and growth are to be possible. That much is clear.

The paper found that in practice this means acknowledging the need to maximise operational efficiency and mitigate against operational risk as well as growing a business, through upping assets under management – be that organically or not.

Ultimately that requires an investment in technology to stay current and make sure that the business is not limited by its operational and technological set up. Wealth managers are, by and large, cognisant of this and this paper reflects that in the transformation projects and investments in technology that are either already underway or very much in the offing.

What is also evident is that firms are not interested in technology for technology's sake. Rather, they are looking for practical solutions to problems, and are setting out an appropriate roadmap to effectively address these to reach their growth and productivity goals. It is particularly interesting that the final destination or ultimate goal is seen as broader than just ROI, but that other factors such as cultural change and broad acceptance of change, leading to technology adoption, are also acknowledged as important if a business is to achieve its objectives when it comes to productivity and growth.

We hope you enjoy reading this white paper.

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EXECUTIVE SUMMARY

Productivity and growth in wealth management today are inextricably linked. Greater levels of productivity enable growth via increased assets under management (AUM) – either from growing share of wallet, serving more clients, moving down the value chain to serve the mass-affluent sector, or by capturing the next generation of investor.

Wealth managers also find themselves in a period of rapid technological change and advancement like never before. If wealth managers are to continue to succeed and thrive, they need to revisit the way they use technology, leveraging it to drive productivity gains through greater automation and operational efficiency.

Accordingly, all firms know that they need to better leverage their existing technology investments and infrastructure and introduce new technology solutions to fuel both productivity gains and in turn drive business growth. The priority areas for technology leverage vary from firm to firm, but our survey identifies a common theme for these: firms need to focus on maximising the potential from their existing technology stacks. They need to potentially revisit their technology core, or embark on defining a strategic transformation project to scope and map the way forward before embarking on additional technology-related projects or making further major technology investments.

When it comes to these targeted technology projects, common areas of focus include:

- Data – its capture, storage, and use of analytics capabilities, including Artificial Intelligence (AI).
- Smoother processes, and automation.
- Enhanced client reporting and onboarding.
- Use of digital tools to free up adviser time, to be spent on value-added activities with clients.
- Use of front-end tooling to enhance the overall client experience, and support the servicing of different client segments more cost efficiently.

All of the above carry with them the inherent promises of productivity, and the possibility of growth by increasing overall share of wallet, reaching out to, and securing, additional business through referrals, better prospecting, and expanding into different customer segments.

It is also well understood that technology plays a key role in supporting and enabling the business model of the future, but that it will never entirely replace the human touch in wealth management. Indeed, survey respondents were consistent in their view that the cornerstone of wealth management still lies in the relationships forged between individuals – namely, advisers and their clients. For a business to fully embrace technology and optimise its potential and impact for the future, a culture change may well be required. This is a challenge that has yet to be universally tackled, but something that most firms are aware needs to happen.

Examining the relationship between productivity and growth and the role that technology plays in supporting both was the focus of this piece of research. For this project, we spoke to C-level executives from UK wealth management firms: small, large, and somewhere in between.

For this paper we interviewed C-level executives from a range of UK wealth managers. The size of organisations interviewed ranged from 100 to 3,000 people, spread across the UK and the Crown Dependencies. AUM were between £142 million and £65.1 billion. Most of our respondents targeted the traditional high-net-worth (HNW) segment, with the average client being in their late 50s, with their wealth being either inherited or self-made.

Key Findings

Productivity

Wealth managers today find themselves in an unprecedented period of rapid technological change. If wealth managers are to continue to succeed and thrive, they need to reconsider the way they use technology, leveraging it to drive productivity gains through greater automation and operational efficiency. Productivity initiatives generally aim to deliver process optimisation and enhanced adviser performance. A greater percentage of time should and could potentially be spent by advisers on value-adding client activities, by making the best use of existing technology tools and infrastructure to do so.

The focus of existing productivity projects underway in many firms includes:

- Optimising existing technology stacks
- Successful delivery of transformation programmes
- Improving data capture and leverage
- Better client reporting
- Enhancing adviser-client communications

Next focus areas for productivity gains include:

- Better leverage of data
- Focused application and deployment of AI

Biggest pain points cited by survey respondents include:

- Client onboarding
- Client reporting
- Regulation

Growth

Wealth managers today find themselves in a contemplative mood when it comes to growth, as they look for opportunities to drive growth both inorganically and organically. Consideration is also being given to the possibilities afforded by technology when it comes to operational and cost efficiency. Technology as a means to reduce the cost to serve and expand the client base to include the mass affluent is also under discussion as a means to spur growth, with many firms having specific initiatives either underway or about to be launched to meet their growth targets.

Identifying growth targets and expectations:

- AUM
- Existing growth initiatives
- Client segmentation

Specific initiatives to drive growth include:

- Data capture and integration
- AI and analytics
- Client-facing portals
- Digitisation – in all its forms

Embedding technology into the productivity and growth narrative

It is well understood that technology enables both productivity and growth by underpinning data, business processes and the overall client experience. Equally important is that technology is not seen as a replacement for the human touch – the roots of wealth management still lie in the relationships nurtured between individuals: that is to say, between the adviser and the client.

Facets of embedding technology include:

- Positioning the business for the future
- Positioning advisers to better deliver an outstanding customer experience
- Addressing specific pain points
- Optionality in technology use for clients
- Supporting cultural change

Section 1:
Productivity

Summary

Wealth managers find themselves in a period of rapid technological change. If wealth managers are to succeed and thrive, they need to change the way they use technology, leveraging it more effectively to drive productivity gains through greater automation and operational efficiency.

Productivity initiatives generally aim for process optimisation, adviser productivity, and making best use of existing technology.

Existing productivity projects include:

- Optimising existing technology stacks
- Successful delivery of transformation programmes
- Improving data capture and leverage
- Better client reporting
- Enhancing adviser-client communications

Next focus areas for productivity gains include:

- Better leverage of data
- Focused application and deployment of AI

Biggest pain points:

- Client onboarding
- Client reporting
- Regulation

Resolving productivity issues has long been a concern within the wealth management industry. This traditionally heavily paper-based industry has been reliant on face-to-face conversations and the knowledge of its employees. It has been slow to make the shift to a more automated and streamlined operational model. As a result, many within wealth management – from front-office advisers to back-office administrators – have historically spent a significant amount of time performing manual and often time-consuming tasks. As a consequence, data and process proliferation have become considerably challenging to manage.

Optimisation

A major focus for productivity within the UK's wealth management community lies in the time optimisation that can be applied from the back-office all the way through to the adviser at the front-end, enabling a firm to do more with less.

The primary goals of any productivity discussion lie in the quest to reduce operational costs and positively impact the bottom line, as well as to grow the business by expanding product ranges, services, and segments served. In the context of the twin topics of productivity and growth, finding the means to unlock an adviser's time to spend more of it with existing clients, prospect new ones, and therefore upping share of wallet and AUM is generally key to successfully realising potential additional growth.

There is, however, no silver productivity bullet. The realisation that productivity gains can only be achieved once the changes that are needed have been identified is now being felt by the wealth management industry. Putting together the various parts of the productivity jigsaw should create an improvement roadmap with clearly defined endpoints, and measurable targets to be met along the way.

As a starting point, this means thinking about end-to-end processes and an organisation's overall operational setup: how do processes, data, technology and people work together currently? Where are the synergies that can be realised? What are the immediate pain points that need attention, and how will focusing on productivity in 'x' area impact in 'y' area, or elsewhere downstream? These are the high-level questions that wealth managers need to be asking themselves.

"We clearly need to think about technology, platforms, systems, processes, and data, and how they all work together. We are still running far too many manual processes," said one of our respondents.

Another agreed, saying: "For us, key is being able to leverage technology to reduce the number of systems and processes in play; a payment request is a good example of something that can become complex quite quickly if you let it."

Adviser productivity

Advisor productivity is not just an automation and execution play. Using technology to promote adviser efficiency at the front-end is front of mind for many, if not all, firms.

"We ensure productivity for advisers by giving them really good support. This way, our advisers can serve more clients. It's all about removing the activities with limited value from an adviser's day, and about automating our back-office. We are looking at using Artificial Intelligence (AI) for meeting notes, currently in trials and seemingly working really well, to enable greater adviser productivity," said another of our respondents.

Research by McKinsey supports this line of argument: "An increasingly common pricing model is for clients to negotiate a flat fee based on the value of their investments. To maintain revenues with this model, wealth managers must create new efficiencies and ensure relationship managers are more productive, which means spending more time with clients. Indeed, cost to serve is an important facet of the productivity game – explored by Urs Bolt in a recent article for The Wealth Mosaic. His comments regarding the Swiss wealth management industry are relevant to all geographies: "The cost-to-income ratio will further increase unless banks are able to improve their operational efficiency substantially."

Indeed, being able to make small incremental improvements to drive greater efficiencies goes back to understanding the composite parts of the whole and how they all work together. Only once a robust understanding of how things work and what problems and pain points exist, can work begin to resolve them to reach a defined end point of success.

Making the best of existing technology and processes

For many survey respondents, the best starting point when looking to enhance productivity is to use what is already in place, and then move towards understanding what works and does not, and why – thus providing insight into improving efficiency and productivity.

For many, a period of analysis has led to investment in the core technology stack, providing the firm with a strong and stable technological foundation.

"We don't want flaky technology; we don't want to spend time on something that won't ever do its job. We want to start strong and build our transformation agenda on robust foundations. It is about value maximisation from the existing stack, which we are already paying for and probably under utilising," said one of our respondents.

Existing productivity projects

Transformation programmes

A firm's review of an existing technology stack has, in many cases, led to the launch of a transformation programme. This has also been a response when the firm in question has recently acquired other firms, and needs to transition combined entities to a single technology stack. No matter what the underlying reason, however, the aim has been to introduce integrated and standardised processes and procedures with the primary goal of driving productivity and efficiency gains.

Data capture and use – the 'single source of truth'

Data capture and use relate closely to having smooth and integrated systems and processes in place. There is little point in addressing the former without then being able to leverage data effectively.

A major focus across the industry today is the ability to access a single data set that can be used downstream in multiple applications, rather than having to 'assemble' data from a variety of sources, increasing the risk of inaccuracy and inefficiencies.

A participant said: "Ultimately, where we're getting to, and what we're working on, is having more automatic data scenarios in our system reports. That is a work in progress. The job of technology is to simplify the amount of data that has to be input and then make sure that it is accurate and correctly formatted."

A significant minority of firms has, in the past few years, put in a back-office system to move to single data entry, manage, and store data and other information.

One respondent commented: "For me, technology is an enabler – it takes away work that people either don't want to do or can't do as effectively as an automated process that runs in the background. The back-office system that we've put in place has been built specifically to store information and use it in multiple ways."

Other respondents told the same story, citing driving a better understanding of clients, enhanced, friction-free client journeys, simplifying suitability and onboarding processes, and providing better reporting could all be supported by having a single data set that could be used multiple times, was accurate, and able to run over smoother systems and processes.

A McKinsey report cited the many areas that see productivity gains from effective data management: "Basic acquisition and onboarding applications include client discovery, risk profiling, account opening, and onboarding. Relationship managers and investment teams can use analytics for lead generation, share-of-wallet modelling, and automated proposals. There are also multiple applications in investment management, risk, and compliance, including social-profile checking, anti-money-laundering and know your customer, and fraud protection."

Better client reporting

Client reporting, in particular, has been a priority for many when it comes to ongoing productivity initiatives. Today's requirement, from both a regulatory and client perspective, is for something succinct, easy to consume and delivered in a timely fashion. Client-centric content and digital delivery are a must.

One of the respondents commented: "We're trying to find better and quicker ways of producing reports, but that still deliver for the client. It's important to offer some kind of personalised content, and the problem is that the more personalisation you include, the longer the process takes, but it's something that is now expected by clients nonetheless."

Another respondent cited the need to leverage data to provide reporting that is not outdated the moment it is sent. Instead of a quarterly review, the firm seeks to identify better, more timely ways of keeping in touch with clients.

Better client communications

Timely communication feeds into the whole customer experience. Exceeding client expectations in this context requires technology that supports the adviser and makes the best use of their time. This is something that the industry has grappled with for a long time – making each and every client connection relevant, personalised and delivered over the channel and at the time of the clients' choosing is key. Firms that have engaged with productivity tooling can react more quickly and provide a better service than those that have not.

One respondent commented: "Using software and data for more productive and targeted client communications is a clear win. For example, if we wanted to e-mail every client, it would have to go from the adviser's inbox, and that's a blanket approach. But if you want to be more targeted we should be messaging, say, all our pensions clients when allowances change, then we should use technology and data to do that more efficiently," explained one of the respondents.

The hybrid approach

The delivery mechanism is as important as the message itself. Covid-19 normalised the use of digital communication, and the industry has now reached a consensus that an optionality-based hybrid approach delivers the best of both worlds and serves the needs of all clients. It is also a boost to productivity as advisers do not need to spend large amounts of time dealing with basic issues, freeing them up to instead focus on the big picture, client engagement, and trust-building conversations that clients want to have.

One of our survey participants explained: "Some of the more mundane topics can be covered with a 30-minute video call rather than spending a lot of time trying to travel and align diaries. Then you can see clients in person for other more meaningful conversations."

Next steps for productivity gains

Regarding the next steps towards enhanced productivity, respondents mostly wanted to finish what they had started before launching new initiatives. As with many productivity initiatives already in play, data featured highly as a key area of focus.

One participant described the small, incremental steps being taken to improve data capture, extraction, and use. Another was interested in moving to leverage newly cleansed data for predictive analysis. “Now that we have the data where we want it, in the right format, to get on the front foot and get some predictive analysis, we can prompt advisers with next-best actions can impact how we service our clients and manage their wealth. For instance, if a client’s children are about to start university or another major life event, this may influence investment recommendations at a given moment in time,” they said.

There was also attention on the use of data within a digital front-end platform, allowing people to enter their own data and self-serve where appropriate and desirable.

AI – where to focus, driving value

Perhaps not surprisingly, the biggest project on the horizon for productivity gains cited by many survey respondents was AI, and how best to integrate it into the overall client product offering. The consensus among respondents was around how to use AI to augment existing processes, while reducing voluminous and low-level tasks. The potential offered by AI in its various guises was universally recognised, with respondents maintaining a keen eye on its potential application in other verticals, as well as on what their peers are doing in the AI space.

Research by EY describes the best use of AI, and looks at Generative AI in particular. “While firms can realise early payoffs by optimising use cases that focus on operational process and efficiency improvements (including software development), significant value creation will come from personalising user engagement and improving the customer self-service experience.”

Its survey respondents said that Generative AI could have the greatest impact on the alpha generation, with financial advice topping the list of areas where it can potentially be applied. This was followed by client onboarding, marketing and investment operations, and back-office operations.

One respondent described a forthcoming project to automate administrative tasks: “It is really exciting and will support us on the productivity side by automating some of our administrative functions, and also make sure that we stay on the right side of compliance with everything we do. It’s early days and AI will not replace the human, rather, it will augment existing capabilities and allow for efficiencies and greater productivity.”

However, a common concern with AI is that its output needs to be in a format that a firm’s systems can easily capture and use. This can often require some system tweaking – for example, meeting summaries that are good in themselves, but in many cases are not easily consumable by a firm’s existing systems, and thus, the output cannot be leveraged for other downstream tasks and functions.

“Systems will need to change to accommodate AI output; otherwise, we will spend more time manually inputting information to generate AI-driven outputs which is counterproductive,” a respondent said.



SECTION ONE

What are your most cumbersome processes, and why?

Client onboarding

Unsurprisingly, client onboarding was condemned as the most time-consuming, inefficient, and cumbersome process that wealth managers have to deal with. Interestingly, firms surveyed for this report did not feel that onboarding was problematic from a customer experience angle, aside from the time taken to complete the process. This is because in many cases, wealth managers themselves have taken on the task on behalf of the clients, again limiting their own productivity and, potentially reducing the amount of time they can spend with other clients. Due to this, onboarding can be described as a significant barrier to productivity in both a direct (taking too long) and indirect (reducing time available to spend with clients) way.

Reporting

Onboarding was closely followed by reporting as an area of criticism, where advisers today spend significant time. Reacting to a constantly changing market environment means that the reporting content and process must also change constantly. Current process and data capture systems in the client reporting domain were described by many as 'not fit for purpose', with templating still leaving a lot to be desired in terms of content and the manual work required to populate them properly, with suitability reporting reported to be particularly onerous.

> "Unsurprisingly, client onboarding was condemned as the most time-consuming, inefficient, and cumbersome process that wealth managers have to deal with."

> "Current process and data capture systems in the client reporting domain were described by many as 'not fit for purpose"

Regulation

Reporting, of course, is not limited to client reporting. Regulatory reporting faces many of the same challenges as the processes mentioned above regarding constantly moving goalposts and data format challenges.

One respondent cited regulation as an immediate priority to focus on. BC "The way regulations have evolved has resulted in multiple processes, and there is scope to amalgamate processes to input data once and use it multiple times," they said.

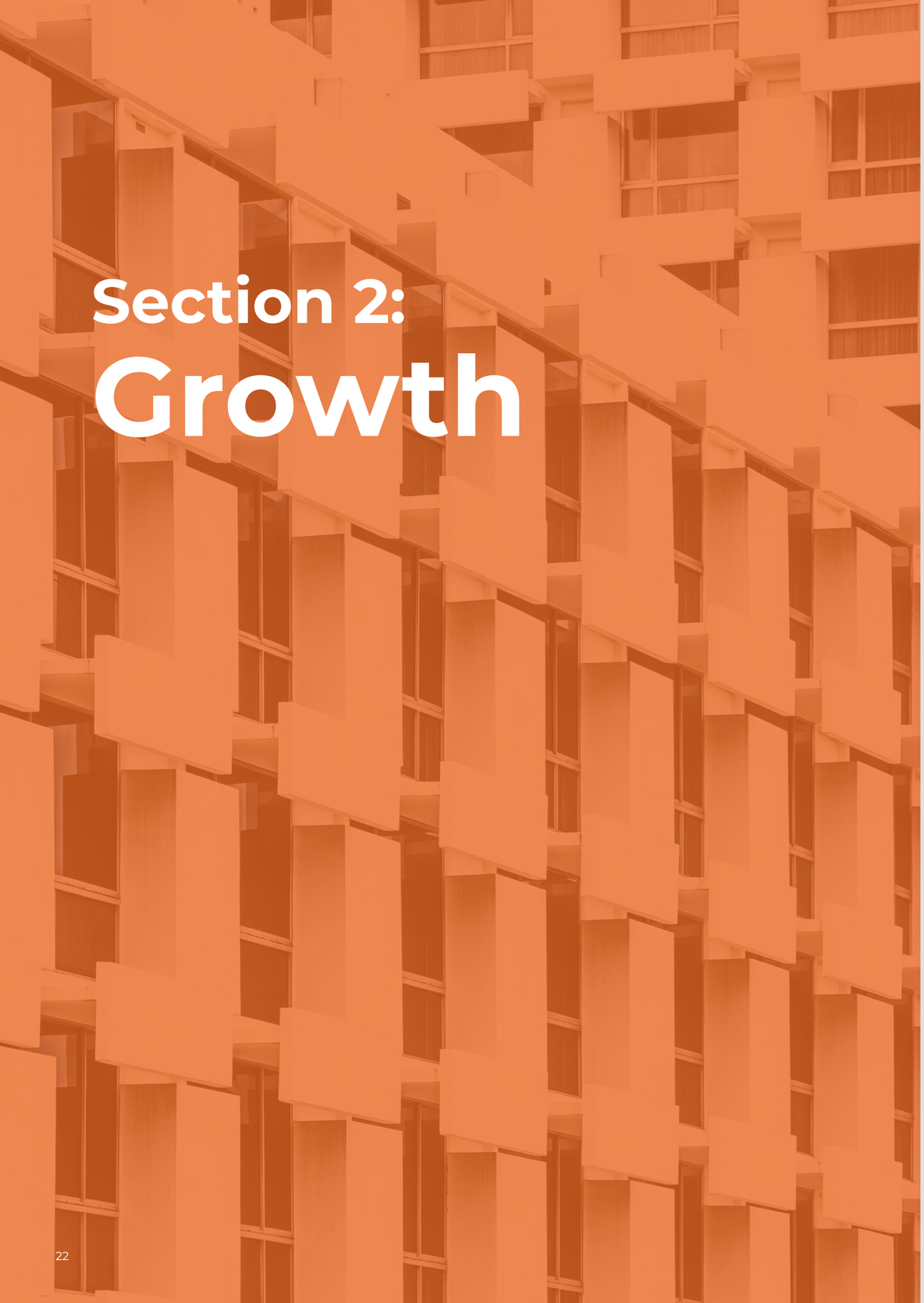
Data

Most of these cumbersome tasks could be vastly improved by better data use and streamlined processes. However, these are expensive issues to solve. TE "For us to benefit most from our technology and from the data that we have, we need to spend a lot of money," explained one of the respondents, "which is a frustration because we know that we have the right data, we just can't access or use it."

Another commented on the importance of "the whole process of leveraging the data as best we can to give us the insight we need and improve the outcomes – and do that at a lower level of effort than maybe we currently do."

> "The way regulations have evolved has resulted in multiple processes, and there is scope to amalgamate processes to input data once and use it multiple times."

> "For us to benefit most from our technology and from the data that we have, we need to spend a lot of money."



Section 2:
Growth

Summary

Wealth managers today find themselves in a contemplative mood when it comes to growth, seeking opportunities for both inorganic and organic growth. For the latter, consideration is being given to operational set up and appropriate targeting of the various customer segments served. Many firms have a number of specific initiatives either already underway or about to be launched to fulfil their growth targets.

Identifying growth targets and expectations:

- AUM
- Existing growth initiatives
- Client segmentation

Specific initiatives to drive growth include:

- Data capture and integration
- AI and analytics
- Client-facing portals
- Digitisation – in all its forms

Identifying growth targets and expectations

Alongside productivity improvements, the market is also focused on growth, but what does growth look like, and where and how will it be delivered? Growth can be both organic and inorganic – the UK, like other markets, is currently going through a period where M&A activity is high. The reasons are many, such as the desire to drive scale, gain access to new markets and segments, and secure access to new technology – but all point to an underlying desire to grow and expand the business.

Firms can acquire such capabilities by merging with others who want scale to fund growing demands for technological innovation. Going forward, this will be a key theme in an already consolidating industry.

The recent Rathbones/Investec deal is a good example of this. It will bring benefits of scale and the ability for the combined entity to make additional investment in technology. Rathbones has been embarking on a technology transformation journey since 2021, and the scale the deal brings will help to further fund that journey going forward. Other notable examples of synergies along these lines include the Royal Bank of Canada (RBC)/Brewin Dolphin deal last year. RBC bought Brewin Dolphin to access more than 30 offices and assets under management of £59 billion as of December 2021. Brewin now provides RBC with a platform to transform its wealth management business, and gains the ability to provide clients with a broader range of products and services and expand its distribution channels through RBC's global presence.

One respondent pointed to the need for a growth strategy that is both organic and inorganic. "We are always keen to look for inorganic opportunities, but we also drive forward organic growth, which stems from providing a quality service."

Another respondent stated: "It is safe to say we are very ambitious in what we're looking to achieve - the growth for us will come in two parts, both organic and inorganic: doing what we do better and then identifying markets and working out how we can position ourselves effectively."

AUM

Organic growth is largely understood to mean upping AUM. This was the case in every firm we interviewed – everyone wants a bigger share in a growing market! Indeed, one respondent put things simply: "Growth for us is about AUM, mainly because we charge fees based on percentages of AUM. So the more AUM we have, the more we get in fee revenue, and that leads to growth." With significant AUM sitting 'unadvised' in cash accounts, there is significant potential for growth in that market segment alone.

Growth targets are, accordingly, taking centre stage. The numbers vary, but ambition does not. But what are the elements that will deliver growth? Where does productivity feed into that? And how will technology help?

Existing growth initiatives

For many, the biggest growth initiatives lie in getting the overall business model and proposition right in response to changing market dynamics.

"The market is huge and growing, the pensions market, people living longer, wealth creation – and these areas point to a greater need for financial advice. Our job is to look holistically at our clients and provide an offering that meets their needs," said one.

Another talked about the need to make sure that advisers were matched appropriately to clients and find a way to optimise that process. A second respondent pointed to maximising the opportunities afforded by referrals. "For us this is the best way to grow at the current point in time. Marketing to entirely new audiences, when market sentiment is not great, feels like an ineffective use of time and money," they added.

All respondents talked about a generic organisational tidy-up so as to best position themselves in the market going forward. "It's about doing what we do better and then identifying relevant and attractive target markets and working out how we can position ourselves effectively in those," said one.

Client segmentation

Growth initiatives can also include expanding into new markets or assessing segmentation. This is particularly relevant in that technology use can drive down the cost to serve, making it possible for wealth managers to profitably target the rapidly growing mass affluent community.

Indeed, the mass affluent, with around £ 50,000 to £5 million of investable assets, that are not currently invested, accounted for around 13.1 million individuals with some £3.8 trillion of AUM This included 3.7 million who are currently non-advised but are open to receiving financial advice. This segment has about 67% of UK investable wealth, according to Royal London. One respondent outlined the need to better understand target audiences and position their offering accordingly. "Growth can be driven by focusing on segments and specific audience types," they said.

In this context, several mentioned the need for advisers to specialise in certain client segments, such as charities, professional services clients, sportsmen and women, entrepreneurial wealth, among others.

Specific initiatives for growth

Having 'tidied up' the business and identified segments for growth, many, if not most, of our respondents are either already honing their client experience or intend to do so in the near future.

Data

The use of data is a key facet of any effective growth strategy. Identifying target segments correctly, upping share of wallet, increasing referrals, and upselling can all be optimised by better use of available data and analytics. “We are questioning how we can better use available data to provide a compelling offering for each segment according to its needs. There is too much reliance on an individual adviser’s knowledge, which needs to be captured in data to be served up wherever appropriate and relevant. That would mean we can get better at prospecting and nurturing conversations to drive more actionable insights,” said one respondent.

Another talked about a recently created data lake and the need to ensure it can move around the firm smoothly. “There is a real piece of work to do there, and we want to manage how we get the best use out of the single source of truth we have created.”

AI and analytics

When it comes to existing analytics, respondents already have a good variety of use cases; RPA featured highly as a productivity measure to support growth, and analysing customers and prospects to better target, upsell, and increase conversation rates was another. Personalisation and the opportunities it offers in this respect are of interest, and respondents are working out how best to do this and how to drive the best return from their efforts in this area.

The use of AI is also a talking point. Most of our respondents had yet to implement AI, but there is significant interest in the opportunities it could bring if leveraged correctly. One respondent talked about the value that could be extracted from converting voice text to data to hone personalisation, identify sentiment, and generally improve the customer experience.

Another cited AI as valuable in an automation context: “We think the role of AI in automating processes and tasks is invaluable. We can see that the roles of our client manager team, in particular, will change, and the way that they support the relationship managers will be much more automated and streamlined.”

Client-facing portals

Supporting the adviser in delivering on experience, thus prompting growth in AUM, is also the aim of investing in a quality and comprehensive client portal. The aim here is to build something visually attractive that is both simple and intuitive to use, with a corresponding level of appropriate functionality. It was acknowledged that different segments would have different requirements when it comes to how they use the client portal. For the mass-affluent segment in particular, due consideration as to the amount of self-service was needed. If the client can use self-serve to a greater extent, then the less time the adviser needs to spend with them. The less time an adviser spends with the client, the lower the cost to serve.

“There is vast potential here in the development of the customer hub and the interface between adviser and client, but there are also many levels to it, starting from purely transactional and inputting data to it being able to build the relationship and being a good support to the human relationship,” said one respondent.

“Your line of focus is basically to support your advisers to be more productive to enhance the client experience, to increase the share of wallet, as well as to extend into new areas where that is appropriate. That is how you drive growth,” said another respondent.

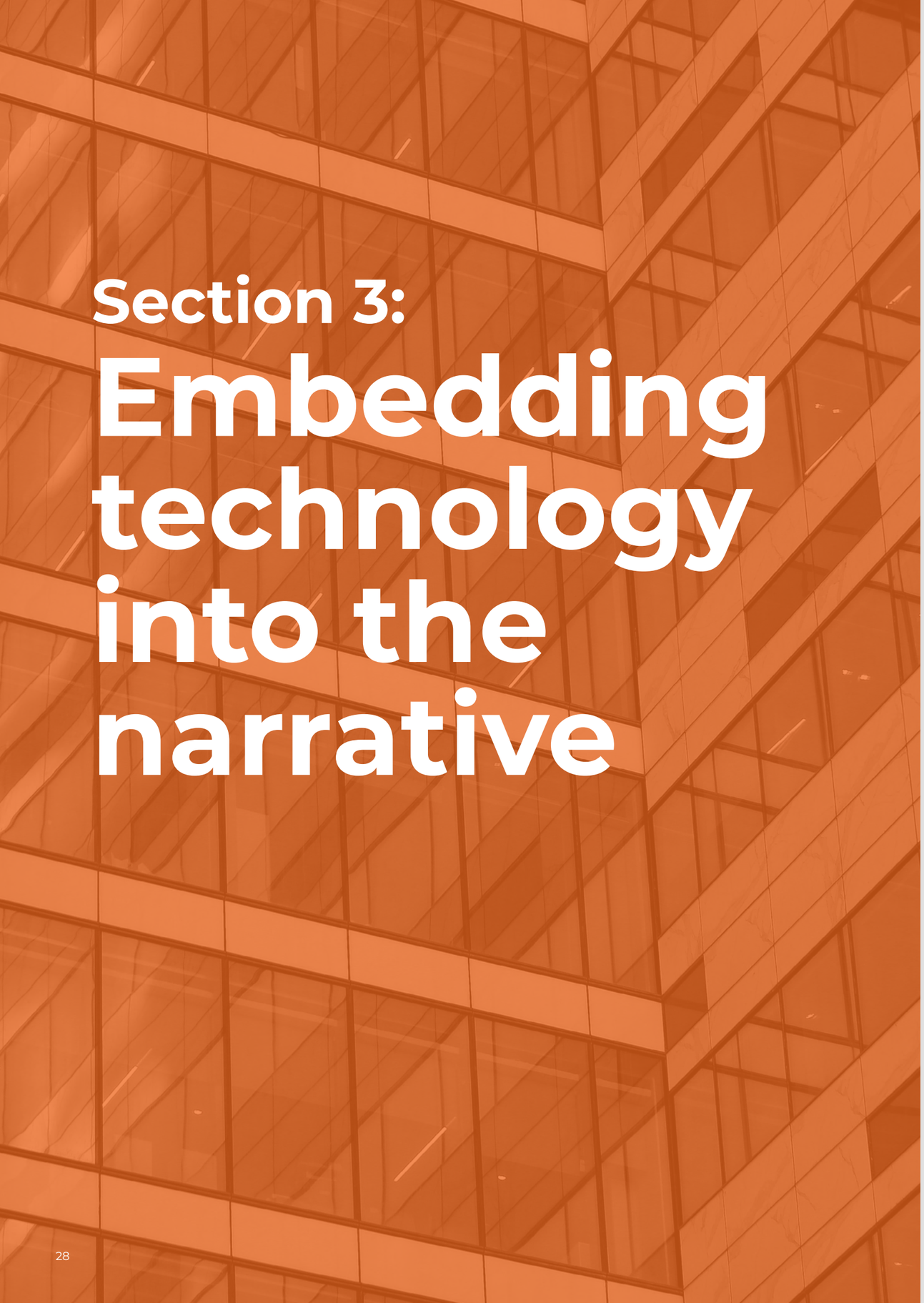
Digitisation

Along the same lines, the extent to which a firm can digitise its offering and operations significantly impacts productivity, customer experience, and, thus, growth.

According to McKinsey, “Digital has the potential to generate significant cost reduction through robotics and automation, change business models with digitally assisted advice, and drive disproportionate market-share gains through digital acquisition and servicing of clients.”

“We’re a very digital business. Something like 98% of our transactions are done digitally, our app usage is huge and goes from strength to strength, and virtually all our clients are online. We are keen to push digitisation initiatives forward,” commented one respondent.

McKinsey summarises: “Wealth managers are unlikely to be able to serve modern clients effectively without a digitised operating model. This will support advisory and non-advisory activities and service ever changing investment preferences. Some leading managers are building modular data and IT architectures, which enable smart decision-making, personalisation at scale, and more extensive product offerings. The changes are also helping them meet their regulatory obligations, boosting the productivity of relationship managers (RMs), and lifting compressed margins.”



Section 3:
Embedding technology into the narrative

Summary

It is well understood that technology enables both productivity and growth by underpinning data, processes, and experiences. Equally as important is that technology is not seen as a replacement for the human touch; the roots of wealth management still lie in the relationships nurtured between individuals.

Facets of embedding technology include:

- Positioning the business for the future
- Positioning advisers to better deliver an outstanding customer experience
- Addressing specific pain points
- Optionality in technology use for clients
- Supporting cultural change

Positioning the business for the future

All our respondents have the possibilities afforded by technology and the potential impact it can have on productivity and growth efforts front of mind. “We literally couldn’t even place a trade without technology, but we are still a people business enabled by technology. For that reason, we continue to examine what we can do with technology and continue to invest in it to support our people and the overall offering,” said one respondent.

Another noted: “If you look at it at a headline level, we’d love to double our AUM. You can do this as an inorganic project by buying another business and plugging in those assets; you can also do it by upping productivity levels, which has a knock-on effect on organic growth. With the latter, the key lies in data and process improvement to free up advisers and deploying relevant and scalable services to each client and segment”.

Positioning advisers to deliver on customer experience

Technology must have a positive dual effect on both advisers and clients if the aim of upping the client experience is to be achieved. For clients to place a greater share of wallet with a firm or to make a referral, they need to feel positively inclined towards the provider at the very least, and delighted at best.

Advisers with better and more productive tooling can work towards delighting the customer and thus securing a greater share of wallet or a referral. “Advocacy and referral are still probably the biggest source of lead flow regarding existing clients recommending we talk to other clients. If technology and the customer experience were better then we would probably get more referrals in the first place and also know more about the potential client ahead of approaching them to have a more compelling discussion,” another respondent pointed out.

Addressing specific pain points

No matter the pain points, all respondents talked about the need to provide a service that is appropriate to the client; neither overservicing nor underservicing. Using common sense also came into the service scenario too.

One respondent cited the ability to produce a visually attractive one-page PDF after every meeting, based on infographics. “For someone who is busy, this sort of visual summary is very useful and shows them at a glance what was covered, what needs to be monitored and topics for future discussion. In the future, AI could be applied to make the process and the output richer, too. In this way, the client is more engaged, rather than struggling with pages of information that do not tell them anything.”

Another looked at the extent to which customisation makes sense, citing a younger investor in the mass affluent segment who might just want the adviser to define risk and suitability and invest accordingly. “If there are big market movements or the client is approaching retirement, then that is the time to be having in-depth conversations with more scenario planning and specific goals-based planning. The client needs to be in charge of how involved they want to be, and the level of service required,” they said.

Optionality

Providing greater optionality also contributes to enhancing the overall customer experience. Wealth managers clearly need the systems, data, processes, and front-end tooling to support the experience. However, the clients themselves need to be in the driving seat when it comes to how much technology tooling they use, as well as how, where and when they interact with the adviser.

“A hybrid service and leveraging AI to provide something personalised and customised is all good, but it depends on the client's wants and preferences. Blending technology and people absolutely do have a place, though,” said one.

“It’s about augmenting that service and how technology can help rather than replace the human. Appropriateness is everything; our clients never have to go through an annoying chatbot and answer a million questions before getting to a human, but they can use digital services where it suits them to do so,” said another. “Technology only ever complements how we achieve customer experience, how we achieve productivity in that process and how that leads to growth,” they added.

Indeed, the key for the industry is to find the balance between what technology can do to bring in younger clients, service existing ones and build relationships, and where it can best support those ends.

Cultural enthusiasm and engagement

Technology as an enabler of productivity and growth may be well established with those who have an in-depth understanding of the technology itself and the overlapping relationship between it, productivity, and growth,

However, a change in broader culture will sometimes be required so that a business can embrace technology and leverage it to maximise its effect for the future. This is a battle yet to be won within all organisations but one that firms know is worth winning. Perhaps the final piece of the puzzle for a firm is to successfully set itself up for future success that features both productivity and growth.

“We do too much handholding when it comes to inputting data, and advisers are afraid to let go and let the technology do the heavy lifting as they see it as a fundamental part of the service on offer,” said one.

Another mentioned the need to ‘embrace and prosper’, using smartphones as an example of something once regarded as strange to use, but now perceived as commonplace.

One issue cited as a barrier to cultural change is that transformation projects can often take years, not months, with potential benefits not instantly realised.

“There is no silver technology bullet that is going to make life better, progress is incremental, and because of that, we get to a stage where people are fatigued. When you are in the midst of it, needing to learn new systems stops advisers from seeing a client, which is considered a bad thing,” explained one respondent.

The key is to be able to convince people of the necessity for change and that the benefits of doing so far outweigh the pain of the transformation process. People who can embrace that way of thinking tend to be more successful in the long term as they are the users of new tooling and, thus, become more productive and grow their AUM.

Ultimately, there is consensus that getting the target operating model right pays dividends, even if the process is painful. “We’ve got to support and enable our advisers to develop, become more productive, and grow their AUM. Once you get a critical mass of technology uptake, then it’s about feedback, tweaking, and listening to how things would be improved and where they currently do not work,” said one, adding: “We’ve got a culture where technology will be embraced as long as people see it helping and not hindering them.”



CONCLUSION

Ultimately, technology can and does have a tangible effect on both productivity and growth.

This applies to an organic model that aims to achieve growth through productivity gains in the front, middle, and back-offices. Such productivity gains have the dual purpose of providing operational efficiency and cost savings, and giving relationship managers back their time to spend with clients to in turn increase AUM via a larger share of wallet and a greater number of client referrals.

Inorganic growth, meanwhile, also drives both productivity and growth by providing an environment where structures and systems are combined to create a more efficient whole. This inevitably leads to synergies, and the replacement of systems that no longer serve the newly-merged firm, resulting in better productivity and, thus, growth through operational efficiency. M&A also obviously leads to growth in terms of a newly merged entity acquiring additional AUM to manage.

Technology not only streamlines processes, makes data manageable and actionable and drives productivity, but used effectively, it also allows for a better client experience, leading to productivity and in turn, again, growth. Care, however, needs to be taken to ensure that any technology deployed serves a specific purpose. There is also a good argument for assuring optionality and commitment to a hybrid service proposition. Having the functionality to do something digitally does not mean that all clients should be required to do so. Indeed, this industry remains highly reliant on the calibre of its adviser-client relationships.

The human factor is also a consideration when introducing any new technology. For many firms, there is a need to go on a 'hearts and minds' mission to avoid transformation fatigue and make sure that the benefits of the new technology being deployed are well understood and positively received.

For firms to position themselves for lasting success in an ever-evolving industry, standing still is not an option. Reassessing the model to best leverage technology to in turn drive greater productivity and realise growth, however, is.

> **Firms are not interested in technology for technology's sake. Rather, they are looking for practical solutions to problems, and are setting out an appropriate roadmap to effectively address these to reach their growth and productivity goals.**
>
> **It is particularly interesting that the final destination or ultimate goal is seen as broader than just ROI, but that other factors such as cultural change and broad acceptance of change, leading to technology adoption, are also acknowledged as important if a business is to achieve its objectives when it comes to productivity and growth.**

By Joey Cozens-Smith,
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The Research

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This research is part of The Wealth Mosaic's WealthTech Insight Series (WTIS), an ongoing and developing research process, mixing online surveys and interviews, and focused exclusively on technology in the wealth management sector across the world.

Rather than a one-off research process, the WTIS will seek to build an ongoing program of research among wealth managers of different types across the world on a broad range of technology and related topics, building up an aggregated knowledge base of both qualitative views and perspectives as well as quantitative data points.

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Publisher

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