



Top Trends in Wealth Management: 2020

What you need to know



TABLE OF CONTENTS

Introduction	3
Trend 01: Sustainable investing is redefining asset management	4
Trend 02: Demographic shift spurs firms to maximize intergenerational wealth transfer opportunities	6
Trend 03: Omnichannel offerings are essential for seamless customer engagement	8
Trend 04: Hyper-personalized services can be a key differentiator for wealth firms in the new era	10
Trend 05: Emotional analytics can personalize the client experience	12
Trend 06: Firms consider AI solutions to enhance advisor effectiveness, improve client satisfaction	14
Trend 07: APIs foster innovation and create new channels of growth for wealth management firms	16
Trend 08: Information security continues to be a prime concern for wealth management firms	18
Trend 09: Artificial intelligence simplifies client onboarding and KYC processes	20
Conclusion	22
About the Authors	23

Introduction

Wealth management is facing significant disruption on two fronts – customer experience and digital transformation. To effectively succeed within these turbulent times, understanding client demographics and expectations is essential. The median age of high-net-worth individuals (HNWIs) is skewing younger, with millennials demanding an omnichannel experience, hyper-personalization, and niche portfolios such as sustainable investing. With **deep customer insights**, firms can grasp the changing ethos of their clients and develop solutions accordingly. Improved customer satisfaction can help firms gain a competitive advantage.



As firms prioritize superior customer experience, they are adopting **intelligent solutions** such as analyzing consumer sentiments to deliver hyper-personalized services. Firms are also leveraging artificial intelligence (AI) and machine learning (ML) techniques to improve the client-advisor relationship.

To innovate, especially within legacy infrastructures, organizations must embrace **open APIs** to scale technology capability with support from WealthTech startups and third-party vendors that offer generic and customizable API-based platforms.

Cyber-attacks, a negative consequence of the digital era, can financially impact a firm and tarnish its brand image. Regulations such as the EU’s General Data Protection Regulation (GDPR) and know your customer (KYC) mandates are pushing firms to ramp up cybersecurity and automate cumbersome client onboarding processes, in a **data-driven compliance** scenario.

Top Trends in Wealth Management: 2020 aims to understand and analyze the top trends in the wealth management industry this year and beyond.

Exhibit 1: Wealth management influencers

Deep customer insights	TREND 1	Sustainable investing is redefining asset management
	TREND 2	Demographic shift spurs firms to maximize intergenerational wealth transfer opportunities
	TREND 3	Omnichannel offerings are essential for seamless customer engagement
	TREND 4	Hyper-personalized services can be a key differentiator for wealth firms in the new era
Intelligent solution	TREND 5	Emotional analytics can personalize the client experience
	TREND 6	Firms consider AI solutions to enhance advisor effectiveness, improve client satisfaction
Open APIs	TREND 7	APIs foster innovation and create new channels of growth for wealth management firms
Data-driven compliance	TREND 8	Information security continues to be a prime concern for wealth management firms
	TREND 9	Artificial intelligence simplifies client onboarding and KYC processes

Source: Capgemini Financial Services Analysis, 2019

Trend 01: Sustainable investing is redefining asset management

Sustainable investing (SI) is gaining mindshare among wealth managers and investors to foster mainstream momentum.



Background

- An increasing number of investors are focusing on the societal impact of their assets, giving rise to sustainable investing.
 - More than 50% of global asset holders are gauging or applying ESG (environmental, social, and corporate governance) factors in their investment strategy, according to an FTSE Russell survey.¹
- Traditionally, wealth management firms kept ESG portfolios separate from core offerings. However, with growing client demand, advisors are now integrating ESG into their primary portfolios.
- Although investors are learning more about SI, misconceptions exist, and firms must actively educate as well as help clients understand the risks and returns.

Key Drivers



- The demand for ESG considerations is growing among the new generation of investors, who are more considerate about the responsibilities that come with wealth generation.
 - Among HNW individuals in Asia, SI allocation is expected to reach 20% in 2019, strengthened by investors' desire to create a better future.²
 - Almost 80% of asset owners plan to increase their impact investing allocations over the next three years.³
- The increasing number of HNW women who value investments with societal impact is also pushing the business case for sustainable investing.
 - More than two-thirds of women interviewed in the UK put high importance on making a social impact through their investments.⁴
- Better financial returns and lower market risks are making sustainable funds increasingly attractive.
 - A 2018 study by Bank of America Merrill Lynch found firms with integrated ESG frameworks outperformed their peers with higher three-year returns.⁵
- Regulatory reforms are also pushing consideration of the ESG framework as a fiduciary duty for wealth management firms (Exhibit 2).⁶

¹ FTSE Russell, "Smart beta: 2018 global survey findings from asset owners," <https://investmentnews.co.nz/wp-content/uploads/Smartbeta18.pdf>, accessed November 2019.

² Standard Chartered, "Some 68% of HNW investors want to help create a better future through sustainable investing," June 24, 2019, <https://www.sc.com/en/media/press-release/some-68-percent-of-hnw-investors-want-to-help-create-a-better-future-through-sustainable-investing>.

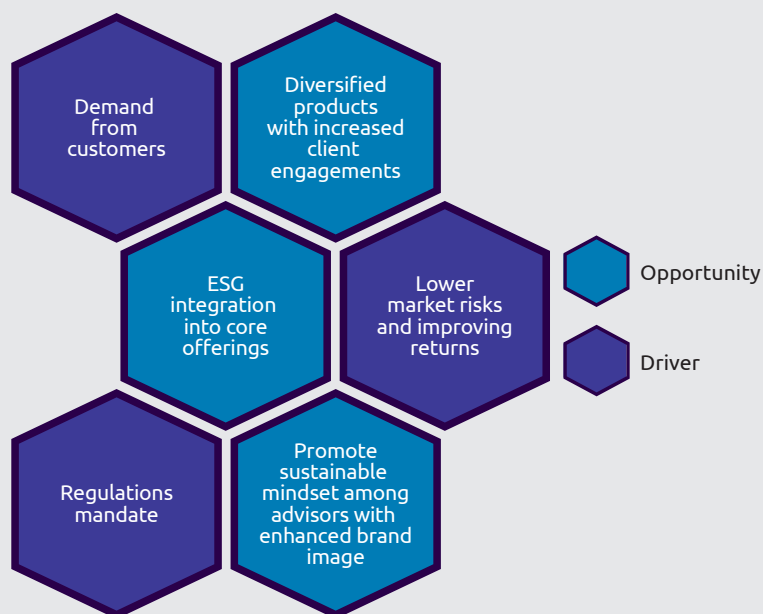
³ Phenix Capital, "Impact Investing Asset Owner Trend Report," April 2, 2019, <https://www.phenixcapital.nl/asset-owner-trend-report>.

⁴ WealthiHer Network, "The WealthiHer Report 2019," <https://www.wealthihernetwork.com/reportall>, accessed November 2019.

⁵ Harvard Business Review, "The Investor Revolution," Robert G. Eccles and Svetlana Klimenko, May–June, 2019, <https://hbr.org/2019/05/the-investor-revolution>.

⁶ Ibid.

Exhibit 2: ESG framework adoption – drivers and opportunities



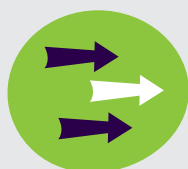
Source: Capgemini Financial Services Analysis, 2019.

Trend Overview



- Wealth management firms are now trying to assimilate ESG into their portfolio strategies by collaborating with decision-support tool providers.
 - Deutsche Bank has significantly accelerated its ESG strategy – “Adding purpose to performance” – by leveraging MSCI’s investment decision tools to offer clients valuable standardized information on non-financial risks and opportunities when making investment decisions.⁷
- New tools and offerings are also being developed by fund managers to provide investment opportunities for clients in their sub-area of interest in SI.
 - Morgan Stanley offers clients an Impact Quotient tool that helps prioritize ESG considerations, such as climate change and gender equality, on a customized basis.⁸
- However, remaining barriers, such as limited information, prevent investors from engaging successfully in SI.⁹

Implications



- Investments in sustainability can boost a wealth management firm’s brand image and drive client engagements, in terms of providing them diversification opportunities.
- With increased shareholder activism for ESG transparency, wealth management firms can help companies draft new policies to attract new investments.
- As sustainable investing becomes mainstream, wealth management firms will strategically incorporate ESG values into training to encourage a cultural change among advisors.

⁷ Deutsche Bank, “Deutsche Bank Wealth Management accelerates ESG strategy: “Adding purpose to performance”,” September 16, 2019, https://www.db.com/newsroom_news/2019/deutsche-bank-wealth-management-accelerates-esg-strategy-adding-purpose-to-performance-en-11582.htm.

⁸ Morgan Stanley, “A Powerful New Tool Provides Insights to Sustainable Investors,” July 29, 2019, <https://www.morganstanley.com/ideas/morgan-stanley-impact-quotient-tool-measures-impact-of-sustainable-investments>.

⁹ The Asset, “HNW investors expected to increase sustainable investments,” June 24, 2019, <https://esg.theasset.com/ESG/37971/hnw-investors-expected-to-increase-sustainable-investments>

Trend 02: Demographic shift spurs firms to maximize intergenerational wealth transfer opportunities

As the number of HNW millennials and women increases, wealth management firms need to reinvent their offerings and customer relationship management.



Background

- The wealth management industry is undergoing a paradigm shift in HNWI wealth and demography with the rise of Gen Y and women billionaires.
 - HNW clients are expected to transfer approximately US\$68 trillion within 25 years (*the Great Wealth Transfer*) to their heirs.¹⁰
 - Women are expected to control nearly US\$72 trillion of global wealth by 2020.¹¹
- Younger high net worth clients are more exposed to the digital age, and with BigTechs providing rich customer experience, they expect the same from their wealth managers.
 - A significant eight-point percentage gap exists between older and younger HNWIs when it comes to satisfaction with personalized offerings.¹²
- On the other hand, HNW women have a different investment approach.
 - Almost 72.5% of HNW women in the UK believe men and women have different investment styles and attitudes.¹³
- Wealth management firms need to strategically adapt to this changing landscape by shifting from a product-specific to a client-specific focus, to gain a competitive advantage.

Key Drivers

- Currently, firms are not prepared to manage the expectations of new-age beneficiaries of the Great Wealth Transfer.
 - More than 80% of heirs will seek to change financial advisors after inheriting their parents' wealth, according to reports.¹⁴
- There is also a growing disconnect in the client-advisor relationship, especially among the female clients, who expect more emotional connect.
 - Around 36% of women investors in the UK felt patronized in their experiences with asset managers, while more than a fourth of the pool wanted less jargon.¹⁵
- What's more, intense-competition from technology-based new players is leading to high customer churn.
 - Investors may potentially transfer US\$12 trillion worth of assets from traditional firms to BigTechs expected to enter the wealth management industry soon, according to estimates.¹⁶



¹⁰ CNBC, "What the coming \$68 trillion Great Wealth Transfer means for financial advisors," Andrew Osterland, October 21, 2019, <https://www.cnbc.com/2019/10/21/what-the-68-trillion-great-wealth-transfer-means-for-advisors.html>.

¹¹ The National, "Women to hold \$72 trillion of global wealth by 2020 as their influence over markets rises," Deena Kamel, March 8, 2019, <https://www.thenational.ae/business/economy/women-to-hold-72-trillion-of-global-wealth-by-2020-as-their-influence-over-markets-rises-1.834553>.

¹² Capgemini, "World Wealth Report 2019," July 9, 2019, <https://worldwealthreport.com>.

¹³ WealthiHer Network, "The WealthiHer Report 2019," <https://www.wealthihernetwork.com/reportall>, accessed November 2019.

¹⁴ CNBC, "What the coming \$68 trillion Great Wealth Transfer means for financial advisors," Andrew Osterland, October 21, 2019, <https://www.cnbc.com/2019/10/21/what-the-68-trillion-great-wealth-transfer-means-for-advisors.html>.

¹⁵ WealthiHer Network, "The WealthiHer Report 2019," <https://www.wealthihernetwork.com/reportall>, accessed November 2019.

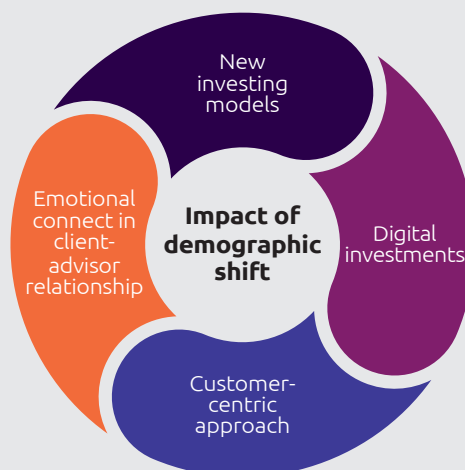
¹⁶ Capgemini, "World Wealth Report 2019," July 9, 2019, <https://worldwealthreport.com>.

Trend Overview



- With high costs of technology adoption, compliance requirements, and personnel allocation, many wealth managers view, catering to the demands of younger HNWI as a short-term pain over an existential threat.
- However, few firms are developing innovative investment models to attract new-age clients (Exhibit 3).
 - Edelman, a financial advisory firm, allows a minimum investment as low as US\$5,000 to retain customers who may inherit wealth in the future.¹⁷
 - Sovereign Financial Group, a Registered Investment Advisor firm in the United States, provides discount pricing to clients' children, if they pool their assets along with their parents, while still offering personalized planning.¹⁸
- Moreover, firms are innovating and undertaking initiatives that focus on empowering HNW women.
 - KeyBank's *Key4Women* initiative offers expertise and guidance that women business owners need to succeed.¹⁹
 - JPMorgan's *Women on the Move* initiative supports women-run businesses from startups to large corporations, empowers women's financial health through education and tools, and works to secure an equitable future for women.²⁰

Exhibit 3: Changing customer demographics — a firm's perspective



Source: Capgemini Financial Services Analysis, 2019.

Implications



- Incentivizing future heirs of wealth through optimal pricing propositions and pooled benefits can help firms retain such clients.
- Re-skilling wealth advisors to develop emotional connections and gain deep insights into client needs will become critical for firms.
- Bolstering digitization through collaboration with FinTechs and new players will be crucial to gain an advantage over peers in customer satisfaction.

¹⁷ CNBC, "What the coming \$68 trillion Great Wealth Transfer means for financial advisors," Andrew Osterland, October 21, 2019, <https://www.cnbc.com/2019/10/21/what-the-68-trillion-great-wealth-transfer-means-for-advisors.html>.

¹⁸ Ibid.

¹⁹ KeyBank, "Key4Women- Helping business women meet their financial goals since 2005," <https://www.key.com/small-business/services/key4women/overview.jsp>, accessed November 2019.

²⁰ JPMorgan Chase and Co., "Women on the move," <https://www.jpmorganchase.com/corporate/About-JPMC/women-on-the-move.htm>, accessed November 2019.

Trend 03: Omnichannel offerings are essential for seamless customer engagement

With the rapid growth of digitalized models, wealth management firms are at the forefront of offering experiences instead of selling products.

Background



- Today's HNW clients own several bank accounts with investments spread across multiple products and managed by more than one advisor.
- Decades of legacy IT infrastructure and complex processes are slowing digital transformation in the financial services industry.
- Most wealth management firms are unable to provide an integrated platform to address investors' increasingly diverse needs.
- There is a strong business need for firms to deliver a unified customer experience across products, channels, and geographies.
 - The advisor-client relationship must be prioritized to deliver unified services that efficiently encourage financial wellbeing.

Key Drivers



- While digital influences continue to drive investor expectations, an omnichannel experience will help wealth management firms differentiate themselves among competitors.
 - 97% of the consumers believe smooth and simplified customer experience is essential while choosing a bank, where their experience within the different channels is more important than the medium.²¹
- Stringent FS industry regulations demand rigorous processes and technologies, such as AI, to manage data and customer engagement.
- Disparate data across multiple systems results in a fragmented landscape, which makes it challenging to gather customer insights and therefore affects service delivery.

Trend Overview



- To implement an integrated customer experience strategy, firms need to build the capability to consolidate and evaluate data across multiple touchpoints in an omnichannel environment.
 - Singapore-based multinational bank UOB developed an omnichannel wealth creation journey for customers that integrates its online and offline services to offer investment decision information.²²
- Wealth management firms are partnering with third-party vendors to deliver high-quality and global solutions to boost customer satisfaction.
 - Mumbai-based Edelweiss Global Wealth Management collaborated with Salesforce to consolidate its customer data in one place. This operation resulted in increased lead generation by 68% Y-o-Y in 2019, and customer satisfaction grew by 14 percentage points in the same period.²³

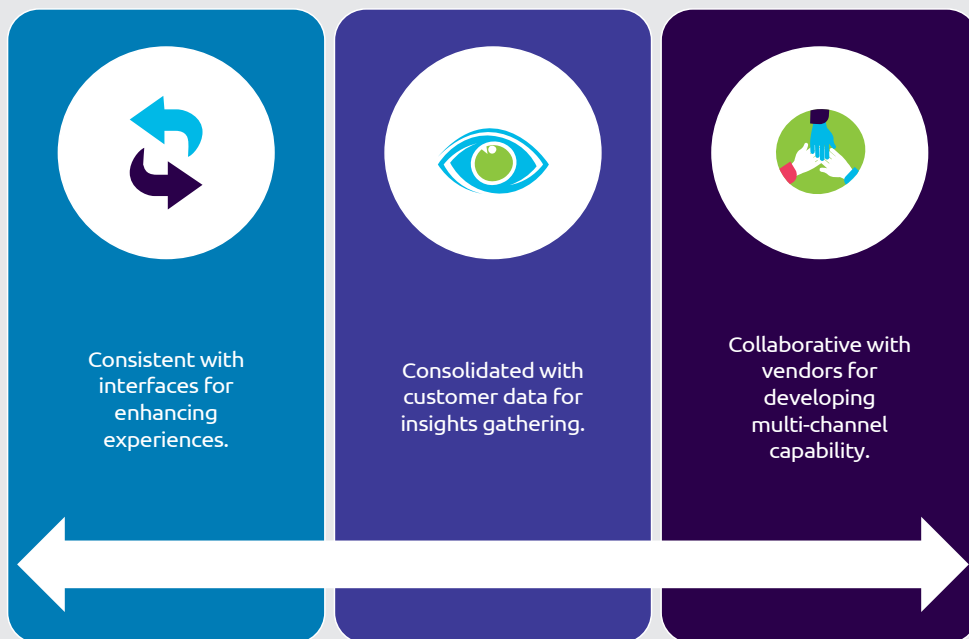
²¹ FIS Global, "Move Over Digital. Customer Experience Now a Key Differentiator," Maria Schuld, April 22, 2019, <https://www.fisglobal.com/insights/what-we-think/2019/april/move-over-digital-customer-experience-now-a-key-differentiator>.

²² Finews Asia, "UOB Launches High Street Branch Model For Affluent Customers," February 11, 2019, <https://www.finews.asia/finance/28227-uob-launches-high-street-branch-model>.

²³ Salesforce, "Investing in technology for guaranteed returns on customer satisfaction," <https://www.salesforce.com/in/customer-success-stories/edelweiss-global-wealth-management>, accessed November 2019.

- With multiple front-ends varying by regions, firms realize the need to demonstrate uniformity to end users.
 - ABN-Amro Private Banking collaborated with Backbase, a digital-banking platform provider, to consolidate region specific user interface into one single interface with end-to-end connections.²⁴
 - With the help of a multi-country web portal and hybrid mobile applications, clients can track their portfolio performance for each asset while ABN-Amro Private Banking quickly delivers products and services to clients.²⁵
- Firms are also exploring agile solutions to complement their internal IT operations and support their multi-channel distribution capability.
 - Van Lanschot, a Dutch private bank, partnered with Xpirit, an expert in Azure Cloud and DevOps, to develop a core platform that fosters collaboration among its multi-disciplinary teams.²⁶

Exhibit 4: Omnichannel framework for wealth management firms



Source: Capgemini Financial Services Analysis, 2019.

Implications



- Wealth management firms should ensure an effective combination of human and digital channels to deliver a seamless omnichannel experience.
- With the efficiency of an omnichannel strategy, wealth management firms will be able to save on resource costs and reduce the turnaround time of different processes.
- Wealth management firms should enable advisors through sales tools, competence building, and incentive frameworks for effective navigation into the omnichannel era.
- Multi-channel integrations, through partnership and collaboration, can help to repurpose core legacy systems without incurring middleware costs or investment in a new platform (Exhibit 4).

²⁴ Backbase, Case Study, “ABN Amro Private Banking – Creating a consistent user experience for private banking clients in different countries,” <https://www.backbase.com/resources/case-study-abn-amro/>, accessed November 2019.

²⁵ Ibid.

²⁶ Xpirit, “Transforming Van Lanschot into an Omnichannel Wealth Manager,” <https://xpirit.com/customerstory/transforming-van-lanschot-into-an-omnichannel-wealth-manager/>, accessed November 2019.

Trend 04: Hyper-personalized services can be a key differentiator for wealth firms in the new era

Success for wealth management firms and managers will depend on the capability to leverage AI and real-time data to deliver more relevant content, products, and service to investors by capturing in-depth customer insights.

Background



- As HNW clients demand more value in today's competitive wealth management environment, the pressure to strengthen personalization has increased intensely.
- While most wealth managers are all-in on technology, more than one-third believe they have not been able to provide hyper-personalized services.²⁷
- With the focus now gradually shifting to mass customization models, firms will be able to get a deeper understanding of investors' requirements and behaviors.
- Technologies such as AI, robotic process automation (RPA), and ML are expected to enhance efficiency, improve productivity, and build a deeper relationship with clients.

Key Drivers



- A lack of personalized advice is diminishing the personal connection between investors and wealth managers. Only 40% of HNW clients say they are satisfied with the personalized offerings from their firms.²⁸
- With next-gen clients at the fulcrum of digital disruption, 87% of wealth managers believe technology will play a significant part in achieving operational efficiency.²⁹
- As BigTechs and FinTechs try to grab market share, wealth management firms need to redefine client experience and strengthen digital capabilities to serve clients better.
- Changing regulations, such as the EU's General Data Protection Regulation (GDPR), require lawful and secure data collection, with limitations on its use and storage (Exhibit 5).

Exhibit 5: Key points driving the proliferation of hyper-personalization



Source: Capgemini Financial Services Analysis, 2019.

²⁷ Forbes, "Empowered By Technology, Wealth Managers Will Take Personalization To The Next Level," June 17, 2019, <https://www.forbes.com/sites/insights-temenos/2019/06/17/empowered-by-technology-wealth-managers-will-take-personalization-to-the-next-level/#bb763a438c4a>.

²⁸ Capgemini, "World Wealth Report 2019," July 9, 2019, <https://worldwealthreport.com>.

²⁹ Temenos, "The Wealthy Want Personalized Services Enhanced by Technology Highlights New Forbes Insights and Temenos Report," June 17, 2019, <https://www.temenos.com/news/2019/06/17/report-says-private-banks-must-offer-highly-personalized-service>.

Trend Overview



- Wealth management firms are now engaging in a more individualistic manner with a value-based segmentation approach.
- Instead of siloed multichannel efforts, firms and advisors must focus on omnichannel engagement while providing hyper-personalized offerings.
- Hyper-personalized services require advanced technology to deliver relevant and engaging experiences to clients while empowering wealth managers.
 - Wealth management firms are leveraging AI-driven predictive analytics to analyze client behavior and preferences to provide next-best actions in terms of investment decisions.³⁰
- Wealth management firms are overcoming legacy infrastructure and data siloes by leveraging AI and data analytics to make banking more effortless and the customer experience more hyper-personalized.
 - Singapore-based DBS Bank developed a data-as-a-service platform to empower and enable employees to use data and AI.³¹
 - Swedbank integrated conversational AI virtual assistant, Nina, within its contact center. Within 90 days, Nina could handle more than 30,000 conversations a month with a 78% “first-contact resolution,” which saved Swedbank operational costs. Such AI-powered chatbots can offer an advanced degree of personalized communications – converse with customers within a messaging interface and use ML to interpret questions and provide real-time answers.³²
- Platform, network, and execution providers also need to upgrade their systems to serve wealth management firms better.
 - There is no standard platform that consolidates all data and requirements into a single interface. The FinTech developer that pioneers such a product is expected to be a market leader.³³

Implications



- Wealth management firms will need to transform their service delivery models to focus on client enablement and advisor empowerment.
- The entry of BigTechs – with low-cost services, established networks, and big data – will force wealth management firms to carve out their role within an integrated ecosystem by redefining their business model and client relationships.
- Wealth management firms will need to collaborate with multiple ecosystem entities, including BigTechs, technology solutions providers, and FinTechs, to deliver a differentiated and individualized experience to clients.

³⁰ Capgemini, “World Wealth Report 2019,” July 9, 2019, <https://worldwealthreport.com>.

³¹ Finews, “DBS: Future of Banking Lies in Artificial Intelligence,” August 16, 2019, <https://www.finews.asia/finance/29387-dbs-future-of-banking-lies-in-artificial-intelligence>.

³² Banking Exchange, “Transforming Customer Banking Experiences with AI,” Anton Vaisburd, August 25, 2019, <https://www.bankingexchange.com/news-feed/item/7971-transforming-customer-banking-experiences-with-ai>.

³³ Ignite, “6 Ways Wealth Management Software Development is Changing,” Aviram Eisenberg, November 30, 2018, <https://igniteoutsourcing.com/fintech/wealth-management-software-trends-fintech>.

Trend 05: Emotional analytics can personalize the client experience

With the use of emotional analytics, wealth management firms can study the emotions of clients to create highly customized offerings.



Background

- Acquiring and retaining customers is becoming a challenge in the digital age with higher demands for personalization from clients, especially younger HNWI's.
- Wealth management firms are increasingly focusing on managing customer expectations and enriching their experience, to gain a competitive advantage.
- By leveraging technologies such as AI, wealth management firms are now attempting to influence the customer decision-making journey by focusing on parameters such as emotions and sentiments.



Key Drivers

- Every customer is unique in making investment decisions with variations in sector choices and risk-taking ability. Thus, there is an increasing demand for customized portfolios that can also consider the emotions of the clients.³⁴
 - A significant chunk of the customer base, especially younger HNWI's, look for digital channels and expect customization for their investing needs.³⁵
- Analyzing client emotions will help investors make better decisions and will enable firms to provide products and services based on client needs.
- Increasingly, wealth management startups and firms are using emotional analytics to differentiate themselves by shifting their focus from commoditized products to personalized portfolios.



Trend Overview

- Technology companies now offer AI-based wealth management products to analyze investor behavior and provide highly tailored products and services.
 - IPsoft's *Amelia* is an AI-powered digital assistant that can gauge the sentiment of a customer and accordingly reassure or suggest while making investment decisions.³⁶
- AI-based virtual assistants are also being deployed by WealthTech startups to enable conversations between advisors and customers (Exhibit 6).
 - Startup Wela uses virtual assistant *The Benjamin*, to identify the motive behind different investor messages to be able to initiate conversations based on a client's emotions.³⁷

³⁴ Analytics India Magazine, "How Machine Learning can eliminate the emotional aspect of investing money," Harshajit Sarmah, May 30, 2019, <https://analyticsindiamag.com/how-machine-learning-can-eliminate-the-emotional-aspect-of-investing-money>.

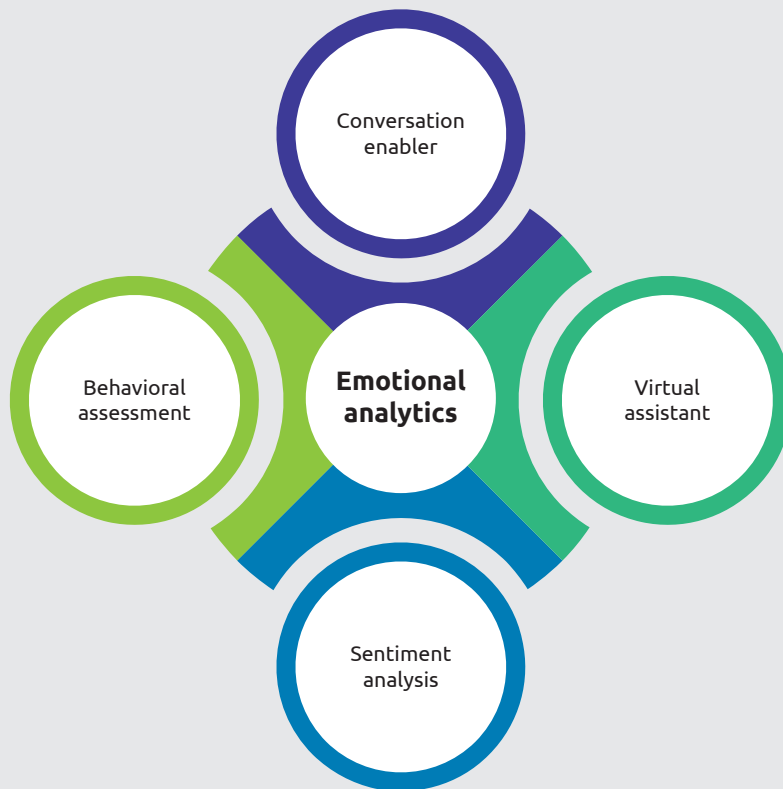
³⁵ Capgemini, "World Wealth Report 2019", July 9, 2019, <https://worldwealthreport.com>.

³⁶ IPsoft, "Meet Amelia, Your AI-based Wealth Management Expert," <https://www.ipsoft.com/banking/wealth-management>, accessed November 2019.

³⁷ WealthTech Club by INSART, "WealthTech Insights #49 with Matt Reiner: Utilizing Emotion Power That Drives Investment Decisions," Vasyi Soloshchuk, February 5, 2019, <https://wealth.insart.com/wealthtech-insights-with-matt-reiner>.

- Wealth management firms are integrating products from technology companies or partnering with WealthTech startups for emotional analytics solutions.
 - Cetera Financial Group added *Insights Advise*, a behavioral assessment solution by NVISO (a Swiss-based FinTech company), to monitor investors as they watch videos and make predictions about their financial priorities.³⁸

Exhibit 6: Advantages of emotional analytics



Source: Capgemini Financial Services Analysis, 2019.



Implications

- With targeted offerings, wealth management firms can improve customer acquisition and engagement metrics.
- Firms can attract tech-savvy customers with personalization, which can help improve market share and topline earnings.
- With customized portfolios, wealth managers can differentiate themselves in a market where the traditional wealth-based customer segmentation approach is still heavily ingrained.

³⁸ Technology Tools for Today, “NVISO Launches A Facial Recognition Fintech Solution at T3 Advisor Conference That Reveals How People Really Feel About Money,” January 29, 2019, <https://t3technologyhub.com/nviso-launches-a-facial-recognition-fintech-solution-at-t3-advisor-conference-that-reveals-how-people-really-feel-about-money>.

Trend 06: Firms consider AI solutions to enhance advisor effectiveness, improve client satisfaction

Some wealth management firms are experimenting with AI to understand its potential capabilities and limitations on their current and future business models.



Background

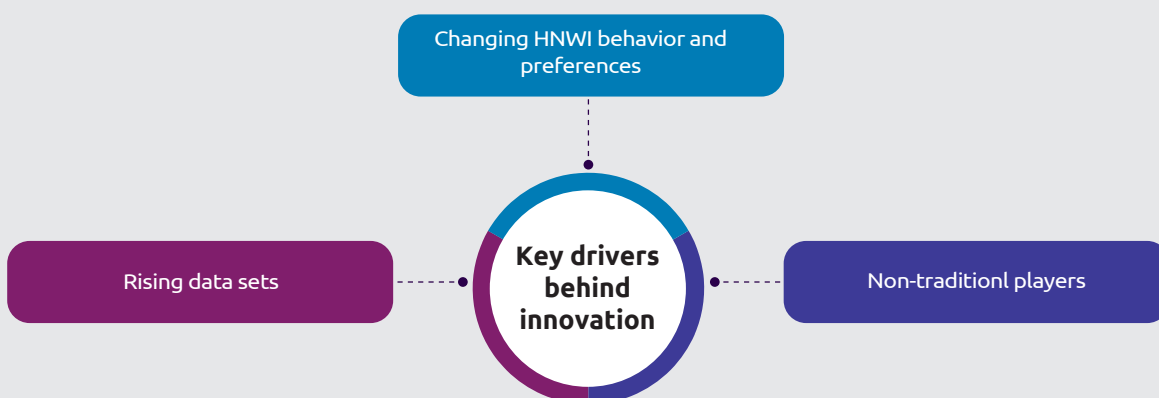
- Typically, the wealth management sector has depended on the physical and emotional effort of fund advisors. However, by leveraging technology, firms are looking to improve the way advisors operate so they can serve clients better.
- Wealth managers are gradually deploying AI to fulfill the expectations of a new generation of tech-savvy HNWIs.
- AI solutions can help firms to augment and transform the way wealth advisors interact with clients and deliver services.



Key Drivers

- Millennial and next-gen HNW clients are driving the need for technology-led change in the wealth management sector.
 - A 2019 poll of 500 private wealth executives revealed that AI represents both a challenge and an opportunity, with over a third (36%) of respondents saying they have struggled to capitalize on the technology.³⁹
- HNW client behavior is evolving, with investors becoming more tech-savvy and willing to use automated tools for a better and personalized experience.
- With access to rising and unparalleled volumes of data, firms can leverage AI to enhance advisor productivity and deliver a rich client experience.
- As FinTechs and BigTechs make inroads in the wealth management industry, firms need to leverage technology to adjust to changing investor behavior and expectations (Exhibit 7).

Exhibit 7: Drivers for AI adoption in the client-advisor relationship



Source: Capgemini Financial Services Analysis, 2019.

³⁹ Information Age, "The use of AI in wealth management must be applied intelligently," Nick Ismail, April 16, 2019, <https://www.information-age.com/ai-in-wealth-management-intelligently-123481769>.

Trend Overview



- Only 44% of HNWI's interviewed as part of the World Wealth Report 2019 said they connected very well with their wealth managers. Reasons for low connection included a lack of emotional intelligence from advisors, few value-added services, and insufficient face time.⁴⁰
 - Within a changing environment, firms will need to transform business models and redefine advisor/client relationships.
 - Data analytics and AI are poised to be must-have in the future, with significant firms investing in these technologies.
 - AI can help drive costs down and improve the performance of wealth managers so they become more stable and consistent, which will allow more time for interaction with clients.
- Firms are adopting solutions that can be easily tailored for different platforms to ensure the maximum ROI on a firm's existing investment.
 - Heron Wealth, a New York-based wealth advisory firm, collaborated with CRM specialist Redtail Technology to develop a platform that manages advisor workflows while also providing insights into client needs.⁴¹
- Using AI, wealth managers can also gauge real-time market sentiments to understand the movement of tradeable assets better and provide sophisticated advice to clients.
 - MarketPsych Indices offers instant insights by analyzing thousands of news articles and blogs to assess market perception across various investable products.⁴²

Implications



- Wealth management firms will be better positioned to provide personalized and accurate advice – when investors want it and via their preferred channel – by leveraging client feedback and analyzing behavioral patterns.
- Firms must support the ambitions of their wealth managers by providing productivity-improving technological tools and capabilities.
- AI will help firms automate various steps in the consultative process so more clients can be handled simultaneously, which will boost the assets under management (AUM) pool.

⁴⁰ Capgemini, "World Wealth Report 2019," July 9, 2019, <https://worldwealthreport.com/>.

⁴¹ Redtail Technology, "How Redtail Helped Heron Wealth Soar," <https://corporate.redtailtechnology.com/customer-spotlight/heron-wealth/>, accessed November 2019.

⁴² Refinitiv, "Exploring AI trends in wealth management," Patrick Donaldson, May 16, 2019, <https://www.refinitiv.com/perspectives/ai-digitalization/exploring-ai-trends-in-wealth-management/>.

Trend 07: APIs foster innovation and create new channels of growth for wealth management firms

Wealth management firms can unlock scalability in their digitization journey using the power of open APIs.



Background

- Given the enhanced focus on digital transformation, wealth management firms are looking for faster ways to innovate, such as partnering with technology providers to stay ahead of the competition.
- APIs provide customizable and agile platforms and are expected to help plug the gap for firms looking to scale up in technology.
- Regulatory changes such as the EU's Payment Services Directive 2 (PSD2) also are compelling wealth management firms to adopt API-based solutions to exchange data with third-party collaborators.
- With investors seeking better user experience, firms need to shift from merely using APIs as a source of communication (to remain compliant) to leveraging APIs to provide better client services and create new revenue streams.



Key Drivers

- Traditionally, firms have been slow to innovate because they relied on human interactions and personal connections more than technology. However, in today's fast-changing digital era, firms must speed up innovation to remain competitive.
- Legacy infrastructure and expensive middleware are bottlenecks for firms looking to pick up the pace in technology implementation.
- The growing number of younger HNW individuals who demand personalization through digital channels is driving a wealth management paradigm shift that prioritizes the customer experience.⁴³



Trend Overview

- WealthTech startups now offer generic APIs for third-party integrations that can be modified based on a firm's specific functionality needs (Exhibit 8).
 - WealthObjects, a London-based WealthTech startup, provides integrated API-based platforms that allow firms to remove and add features while seamlessly integrating into the existing system.⁴⁴
 - San Francisco-based Harvest Savings and Wealth Technologies launched API-based tools *Goalkeeper*, a white-label solution for automated micro-savings, and *Signals*, which alerts firms about opportunities to profitably move bank accounts upstream into a brokerage or trust account.⁴⁵
- With a host of innovative API providers to choose from, wealth management firms are looking to procure scalable platforms to address current challenges while mitigating the need for expensive middleware.

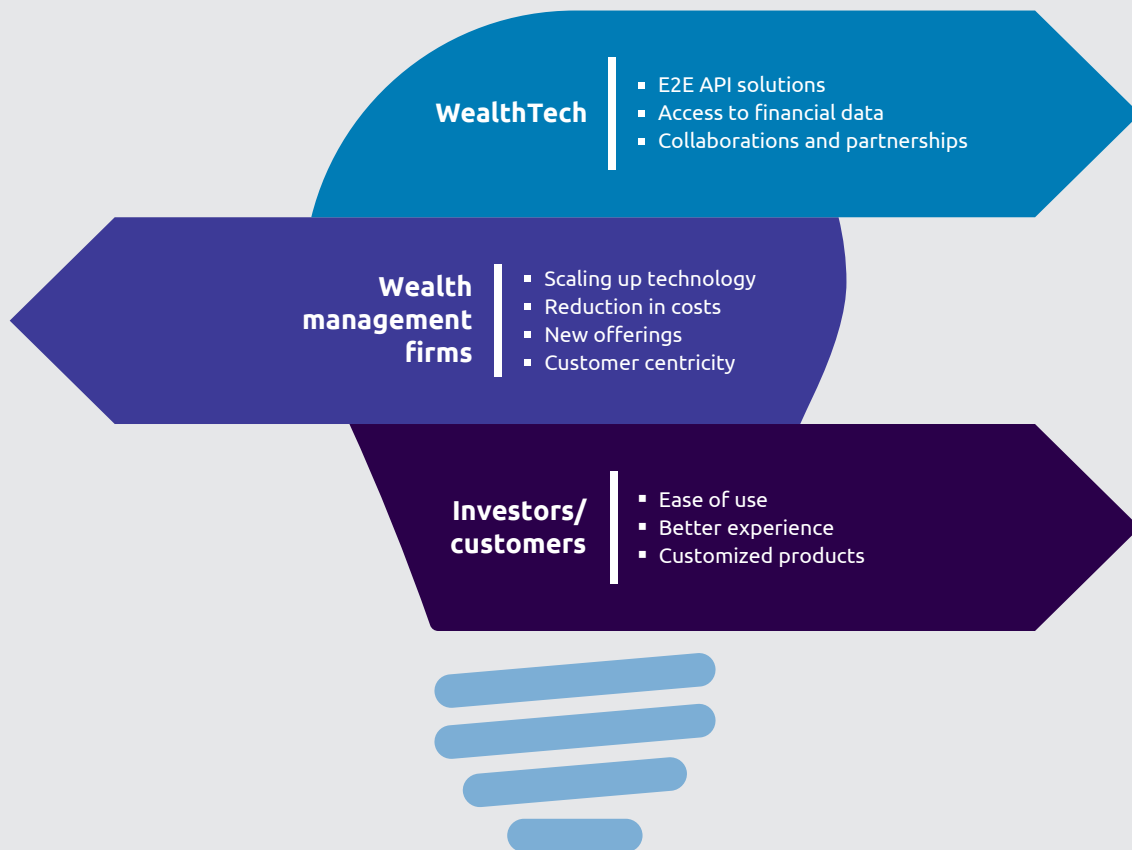
⁴³ Capgemini, "World Wealth Report 2019," July 9, 2019, <https://worldwealthreport.com/>.

⁴⁴ The Wealth Mosaic, "A modular API approach to digital wealth management," Uday Nimmakayala, November 27, 2018, <https://www.thewealthmosaic.com/vendors/wealthobjects/blogs/wealthobjects-a-modular-api-approach-to-digital-we>.

⁴⁵ Investment News, "Trizic rebrand shows difficult route for robo-advisers," Ryan W. Neal, September 5, 2019, <https://www.investmentnews.com/article/20190905/FREE/190909969/trizic-rebrand-shows-difficult-route-for-robo-advisers>.

- Morgan Stanley implemented an encrypted document-sharing platform *Digital Vault* to target remote investors using cloud-based APIs from Box, a digital solution provider.⁴⁶
- Apart from being used to build customer-facing platforms, APIs foster simplified information sharing and analytics for institutional clients.
 - J.P. Morgan Developer, an open API tool, allows B2B clients to integrate their systems and fetch real-time data. The functionality also provides access to JPMorgan’s market data and *DataQuery* analytics service.⁴⁷

Exhibit 8: Open API ecosystem: Opportunities for each stakeholder



Source: Capgemini Financial Services Analysis, 2019.

Implications



- By integrating generic APIs, wealth management firms can enhance their product portfolio proposition, while remote access to services will help strengthen geographic presence.
- APIs can help firms deliver more value to clients by improving speed to market and by developing offerings for a multi-channel environment, thereby enhancing user experience and loyalty.
- Digital API-based platforms can be modular in terms of implementing new functionality, leading to improved efficiency and reduced operational costs, enhancing scalability and profitability.

⁴⁶ Business Insider, “Morgan Stanley partnered with Box to launch a ‘digital vault’ encrypted platform for its wealth management clients,” Rachel Green, July 29, 2019, <https://www.businessinsider.com/morgan-stanley-launches-digital-vault-for-wealth-management-2019-7?IR=T>.

⁴⁷ JPMorgan, “J.P. Morgan Developer Surpasses 100 Million Data Requests Annually,” September 24, 2019, <https://www.jpmorgan.com/global/technology/jpm-developer-surpasses-100-million-annually>.

Trend 08: Information security continues to be a prime concern for wealth management firms

Amid apprehension about increasing cyber-attacks and growing data security compliance requirements, cybersecurity remains a concern for wealth management firms.



Background

- The financial services sector was among the top three industries affected by cyber-attacks in 2019. And, as the wealth management domain transitions through data-focused digital transformation, the threat of cyber-attacks increases.⁴⁸
- The EU's General Data Protection Regulation (GDPR) and other data-privacy regulations are fostering strict data-related compliance.
- Data leaks and breaches can stir client mistrust, disloyalty, and churn.



Key Drivers

- The recent surge in cyber-attacks – spear phishing, malware, and viruses – has exposed sensitive data and publicly embarrassed various wealth firms.
 - 28% of HNW individuals and firms that manage their assets say they have been victimized by a cyber-attack, according to a 2018 report from GlobalData.⁴⁹
- With the adoption of new digital technologies and weak cyber-attack preparedness, more firms are vulnerable than ever before.
- Increasingly complicated compliance requirements, especially in personal data management and privacy laws, have led to significant fines as a result of data leaks or breaches.



Trend Overview

- Major wealth management firms are prioritizing cybersecurity as part of their operational budget allocation.
 - Considering cybersecurity to be an urgent concern, JPMorgan Chase spends a staggering ~US\$600 million annually on security efforts and employs close to 3,000 cybersecurity professionals.⁵⁰
 - 73% of financial firms in the UK are looking to increase cybersecurity spending, according to a Clearswift survey.⁵¹
- Firms are investing in adaptive frameworks with dedicated teams to manage evolving compliance requirements and emerging threats, which requires scaling up of existing personnel or recruiting cybersecurity talent.

⁴⁸ Tech Republic, "Data breaches increased 54% in 2019 so far," James Sanders, August 15, 2019, <https://www.techrepublic.com/article/data-breaches-increased-54-in-2019-so-far>.

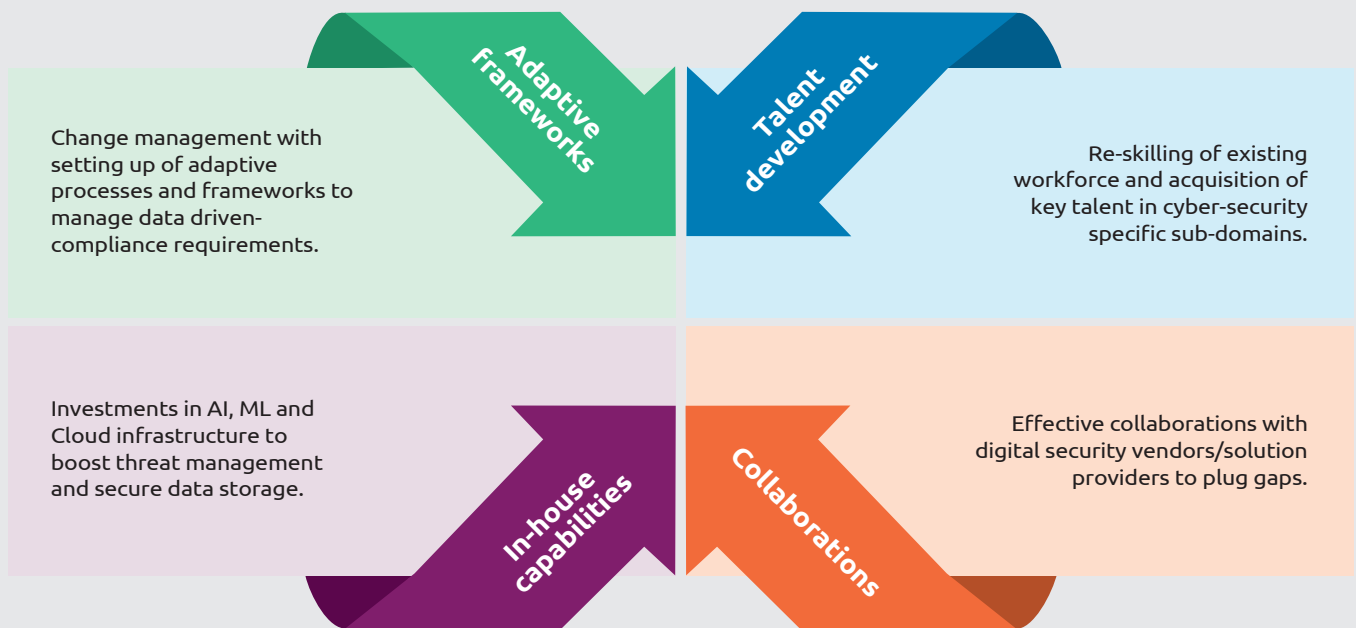
⁴⁹ Business Matters, "Solving the cyber security riddle for wealth management firms," July 8, 2019, <https://www.bmmagazine.co.uk/business/solving-the-cyber-security-riddle-for-wealth-management-firms>.

⁵⁰ Security Week, "With \$600 Million Cybersecurity Budget, JPMorgan Chief Endorses AI and Cloud," Kevin Townsend, April 8, 2019, <https://www.securityweek.com/600-million-cybersecurity-budget-jpmorgan-chief-endorses-ai-and-cloud>.

⁵¹ Clearswift, "New research uncovers cyber security threats posed to UK's financial sector," <https://www.clearswift.com/resource/new-research-uncovers-cyber-security-threats-posed-uk%E2%80%99s-financial-sector>, accessed November 2019.

- Firms are leveraging emerging technologies such as ML, the cloud, and AI to build cybersecurity defenses through collaboration with WealthTechs, RegTechs, and other third-party vendors (Exhibit 9).
 - 75% of banking organizations count on AI to help identify threats and thwart attacks.⁵²
 - Germany-based DZ Bank incorporated Vectra’s AI-driven platform *Cognito* to detect threats instantly and decrease the security operations workload.⁵³
 - Networth financial group collaborated with Docupace, a WealthTech startup, for a host of compliance and disaster recovery solutions.⁵⁴

Exhibit 9: Cybersecurity focus areas



Source: Capgemini Financial Services Analysis, 2019.

Implications



- Firms can stem data breaches and subsequent penalties through partnerships with cybersecurity specialists or by beefing up in-house capabilities.
- Wealth firms can make strategic security decisions and improve stakeholder trust when they are more transparent about data security initiatives.
- Re-skilling employees in cybersecurity can promote awareness within the firm and reduce people-related breach incidents.
- An efficient threat management mechanism will secure data and reduce unnecessary operational downtime caused by cyber-attacks.

⁵² Capgemini Research Institute, “Reinventing Cybersecurity with Artificial Intelligence,” July 11, 2019, https://www.capgemini.com/wp-content/uploads/2019/07/AI-in-Cybersecurity_Report_20190711_V06.pdf.

⁵³ Vectra, case studies, “DZ BANK enables protection without prying using AI-powered cyberattack detection,” https://content.vectra.ai/rs/748-MCE-447/images/CaseStudy_2019_DZ_Bank_Achieving_security_and_privacy_English.pdf, accessed November 2019.

⁵⁴ Docupace, “Networth Financial Group,” <https://www.docupace.com/success-stories/networth-financial-group>, accessed November 2019.

Trend 09: Artificial intelligence simplifies client onboarding and KYC processes

Wealth management firms can leverage data-driven AI to ease cumbersome KYC processes in client onboarding, reduce costs, and provide better customer experience.



Background

- An increased focus on customer satisfaction is spurring identity verification automation.
- After client acquisition, a wealth management pain point is the lack of an effortless, seamless, and streamlined onboarding process.
- With heightened and ever-changing regulatory compliance, aligning the KYC mechanism with regulations is becoming critical because non-adherence can have significant consequences.



Key Drivers

- Present onboarding procedures require clients to follow specific and sometimes repetitive processes across departments, which leads to delays and repeated and identical requests for information.
 - This decentralized manual approach can take as long as 34 weeks to complete a manual onboarding process, which impacts costs and leads to customer displeasure.⁵⁵
- Apart from being time-consuming and cost-intensive, manual onboarding processes can make fraud detection and other due-diligence methods difficult and error-prone.



Trend Overview

- Many wealth management firms are investing in AI for automating KYC processes through collaborations with RegTechs, FinTechs, and other third-party vendors.
 - Deutsche Bank partnered with Finantix to leverage the software FinTech's AI-powered KYC technology to integrate procurement and processing of customer information while remaining compliant with regulations. The solution rolled out in Germany in 2019, incorporating true multi-language, natural language processing tailored for financial regulatory frameworks. It will launch in the United States next.⁵⁶
 - United Overseas Bank is collaborating with Tookitaki Holdings, a Singapore-based RegTech, for deploying ML to enhance accuracy in the detection of high-risk clients.⁵⁷
- Firms are also developing in-house capabilities to speed up the due diligence process.
 - JPMorgan awarded 47 monetary grants to faculties and Ph.D. students to develop AI-based solutions for its internal processes while also attracting talent to join its AI team. Winners of the bank's first AI Research Awards will study the use of AI and ML in investment advice, risk management, digital assistants, and trading behavior.⁵⁸

⁵⁵ Fintech Futures, "The future of client onboarding," September 24, 2018, <https://www.fintechfutures.com/2018/09/the-future-of-client-onboarding>.

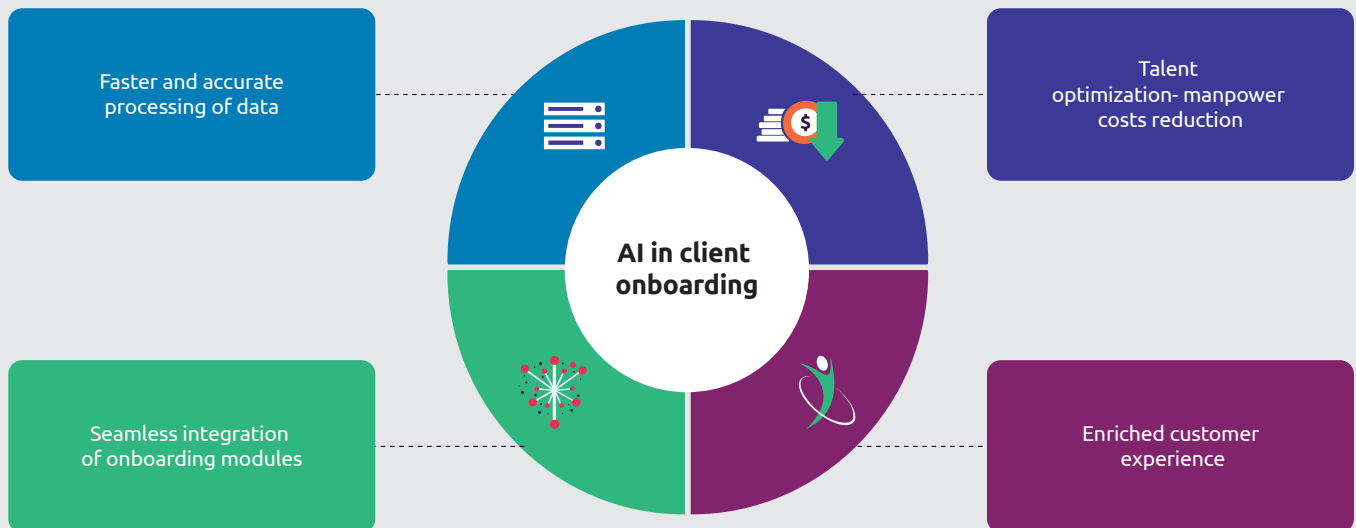
⁵⁶ Private Banker International, "Deutsche Bank uses AI to streamline KYC process," Jamie Crawley, July 04, 2019, <https://www.verdict.co.uk/private-banker-international/news/deutsche-bank-uses-ai-streamline-kyc>.

⁵⁷ The Business Times, "UOB, Tookitaki team up on machine learning to fight money laundering," Kenneth Lim, August 24, 2018, <https://www.businesstimes.com.sg/startups/uob-tookitaki-team-up-on-machine-learning-to-fight-money-laundering>.

⁵⁸ Reuters, "JPMorgan awards research grants, deepening its AI push," Anna Irrera, March 25, 2019, <https://in.reuters.com/article/jp-morgan-ai/jpmorgan-awards-research-grants-deepening-its-ai-push-idINKCN1R616X>.

- AI solutions can also help wealth management firms to implement intelligent automation by leveraging self-learning ML technology to determine if a transaction is suspicious or a false positive.⁵⁹
 - As a result of AI-enabled fraud prevention software, Copenhagen-based Danske Bank claims to have reduced false positives by almost 60%.⁶⁰

Exhibit 10: The potential impact of AI in client onboarding



Source: Capgemini Financial Services Analysis, 2019.

Implications

- AI-led client onboarding can help firms reduce distribution costs, with little or no physical-channel dependency. With the digitization of the entire process, wealth managers can enhance both profitability and operational efficiency.
- By eliminating their dependence on error-prone manual onboarding, firms can assign staff to more high-value tasks, such as analyzing and interpreting data versus collecting it.
- Digital onboarding will help firms enrich customer experience and build loyalty, especially in the case of tech-savvy clients.
 - Simplified KYC processes can drive sales and boost market share among the growing number of younger HNWI clients.
- Automated fraud detection during client verification can make the process error-free, allowing the firm to stay compliant, avoid massive fines, and preserve the brand image and trust (Exhibit 10).



⁵⁹ International Banker, "Maximising AI and Machine Learning to Drive AML and KYC Compliance," Jayakumar Venkataraman, October 4, 2019, <https://internationalbanker.com/technology/maximising-ai-and-machine-learning-to-drive-aml-and-kyc-compliance>.

⁶⁰ Global Banking and Finance Review, "AI in Finance: can banks get smarter?" Alexey Kutsenko, September 6, 2019, <https://www.globalbankingandfinance.com/ai-in-finance-can-banks-get-smarter>.

Conclusion

As wealth management firms enter an experience- versus product-led era, understanding structural changes in customer profiles and expectations has become critical. Future-focused firms are developing niche offerings (such as impact investing) while transforming product distribution and how to offer services.

Technology has become a crucial pillar – with AI, ML, and API adoption driving transformational changes. Increasingly, organizations are moving from tied-down infrastructures to more agility and transparency for better client-advisor relationships and stronger personal connections.

Digital change brings pitfalls, however, be it falling victim to privacy attacks or complying with ever-changing regulations. Data security has become the fulcrum, as firms try to chart their digital journey and simultaneously manage compliance.

Opportunities exist for wealth management firms to boost client satisfaction by leveraging emerging technologies to reduce non-productive tasks and instead focus on value-added services. Hyper-personalization services will allow wealth management firms to differentiate themselves within an ecosystem that also includes BigTechs and FinTech firms.

Various stakeholders will need to play a role in the changing scenario, to address dynamic needs and investor safety while restoring trust in financial markets.

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The authors would like to thank the SMEs listed below for their contributions to this paper:

- **Ferréol de Naurois**, Vice President, Financial Services
- **Rod Bryson**, Principal
- **Tej Vakta**, Senior Director
- **Savita Koppikar**, Senior Director
- **Abhishek Singh**, Director
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