

# Accelerating Digital Wealth Management

## Private Banking and Wealth Management Transformation Programmes Don't Need to be too Risky, Lengthy or Costly

Under pressures from competition, regulators and empowered customers, financial institutions are well aware of the imperatives to change and adopt digital business models and client relationship approaches. Strategic transformation initiatives are typically resource-demanding, long in duration and with many dependencies and uncertainties. The timeline to realisation of benefits lags behind the rapidly changing market, causing doubts in the effectiveness or even in the justification of transformation programmes. This article looks at a practical acceleration approach by phased implementation of separate focused initiatives, incrementally achieving the objectives of the big programme.

### The Drivers of Change

We live in dynamic times, indeed, where the only constant is change. From the very local and every day, to the macro and global levels, volatile is the new steady. Competition is getting ever tougher and puts irresistible pressure on margins. True about most sectors, very acute in the broader financial industry, this has not left Private Banking and Wealth Management unaffected. Cost-income ratios are everyone's worry in the sector, and for many - a matter of survival.

Unpredictable financial events (and occasional blunders) are forcing authorities to seek stability via stricter and stricter regulation. Regulatory changes, while protecting consumers and society, are adding extra pressures on bankers and wealth managers - limiting their strategic and operational options and decision freedoms, while also adding considerable compliance costs to the already endangered cost-income metrics.

Against this difficult landscape, customers are also increasingly demanding and empowered by the ubiquity of communication and information. Until recently only mentioned in lip-service clichés like «customer is king» and «at the heart of our business», now customers are coming to the forefront armed with technology and knowledge. Their expectations can no longer be ignored, as financial

institutions grasp the fact that customers, not products and not technology, are the true source of shareholder value.

The clients of private banks and wealth managers have long been pampered in tune with their high net worth, and have been enjoying long-lasting and rewarding relationships. This can no longer be taken for granted, as demographic and behavioural stereotypes get busted by realities. Today we see many ageing (and wealthy) baby-boomers as tech-savvy as the proverbial millennials. And more important: as wealth changes hands into the next generation, retention becomes a matter of proposition relevance, deep understanding and meeting next-generation needs and expectations.

**Many ageing baby-boomers are as tech-savvy as millennials. More important: as wealth changes hands into the next generation, retention becomes a matter of profoundly understanding and meeting that generation's needs and expectations.**

Technology, not least, is another major driver of change. Always developed to solve problems, it ironically creates problems for those adhering to status quo, to established business models and outdated ways of interacting with HNW clients. This is happening on fundamental/structural and on operational levels. Our ability to collect and amass information is now posing a challenge, as Big Data requires a quantum leap in capabilities to organise, govern and utilise that critical asset. At the operational end, the clever and user-friendly automation of specific processes, touch points or product enablers has the potential to replace big and heavy existing structures. And the potential to disrupt entire businesses and industries.

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## The Transformation Imperative

To respond adequately to all these factors, private banks and wealth management organisations must embark on strategic programmes of significant change. One dominant theme in recent years has been Digital Transformation. It has the potential to address most of the pressure factors and, indeed, the proponents make bold promises in that respect. Many companies in all industries have made (or are about to make) the decision to invest and commit to a Digital Transformation initiative. Private banks and wealth managers, albeit a bit later, are following the trend and have their own programmes. Unfortunately, the meaning of «digital» is by far not universally understood. In particular, the cross-functional, enterprise-wide and comprehensive nature of the transformation has often escaped leadership attention. As a result, we come across institutions where «digital transformation» is believed to belong in a particular single department (usually IT or Marketing), and paradoxically in more than one place becoming «digital» is considered accomplished with the... launch of a mobile app.

This leads us to believe that, despite the hype phrase getting a little «tired» (there are those already abandoning Digital and looking for the Next Big Thing), true transformations are yet to happen. Those who have embarked on strategic programmes have years of work to reach a new maturity level and those still contemplating will feel the pinch to finally do it - as a matter of survival.

Regardless of their early or advanced position on the digital journey, private banks and wealth managers need to keep in mind that wide-reaching and comprehensive change is a critical success factor and efforts need to be planned and coordinated accordingly. Only then they can expect to see the measurable results in reducing costs, improving customer experience and retention, and ultimately - growing shareholder value.

## Total or Selective Transformation?

To succeed against the high-pressure background, any transformation has to be decisive and radical. It starts with a leadership vision and requires determined commitment. And this is where many initiatives start to flounder, lose momentum or outright fail to achieve their objectives. Determination and commitment is not easy - because transformations are big and difficult! There are many risks that not everyone is willing to take. There is complexity and significant demand for resources, including capital investment and difficult-to-find talent. There is the usual resistance to change and the fear of the unknown. There are egos and politics... lots of factors against a successful undertaking hoping to reach meaningful targets within reasonable time.

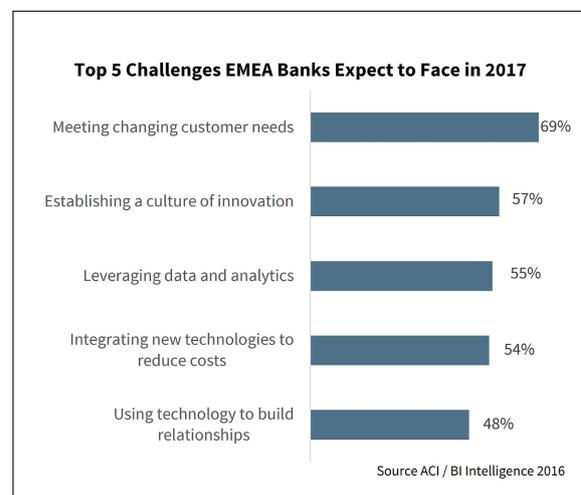
Revolutions make history but don't happen every day and often involve blood. No wonder we don't see too many digital revolutionaries in the boardrooms of financial institutions. Evolution, on the other hand, usually achieves

the same results in a safer and incremental way. Today's problem is, the mentioned growing pressures won't allow the time for evolution to take its course. It needs acceleration.

This is where thought leaders and some industry practitioners are now starting to look at selective transformation through a series of focused initiatives. To accelerate the process and make the most of scarce resources, such initiatives (some use language like «point solutions») need to be rigorously prioritised on cost/benefit basis with speed of implementation impacting both variables. High priority focused initiatives are more manageable and results can be more immediate. The approach lowers both risks and resourcing barriers, and allows for flexible «pivoting» (change of tack) in the process of building the new capability. Success with early initiatives provides confidence and wins support for the ones that follow, eliminating many fears and points of resistance.

**Rigorously prioritised focused initiatives lower risks and resourcing requirements, build confidence and win support for the next steps. They are flexibly manageable and allow for flexible pivoting during design and implementation.**

At the time of writing, our market assessment through multiple interactions with industry executives is in line with published findings like the ACI/BI Intelligence report, where the top 5 challenges for banks in 2017 are:



These priorities, if recognised within your business, can easily be translated into meaningful initiatives and become the immediate accelerators of digital transformation.

## Trends for Focused Initiatives

Seen from the opposite end - of potential responses to the challenges, there is no shortage of offerings in the market.

Many technological and business responses to the drivers of change have been around in the last few years, maturing and getting wider acceptance. Maturity and acceptance tend to «snowball», building exponentially to explosive growth until they become business-as-usual. We believe that some of the following are reaching such critical mass:

- 🌀 **Automation** of both front- and back-office processes. The preferred buzzword is robotics but don't expect to see any walking creatures from Star Wars. While the front-end solutions may talk with a human voice (think Siri, Cortana, Alexa or the less creatively named person in your phone you call Google) but the emphasis is on better experience in self-service and on new D2C propositions (e.g. roboadvisors). At the back end expect increasing volumes of low-skill, repetitive work to be handled by a virtual workforce, freeing up resources for intelligent and creative tasks that enhance the value proposition for the bank's high-value customers.
- 🌀 **Payment** solutions have already exploded in numbers and diversity, especially those empowering the end-customer with mobility and ubiquity. This year Blockchain (and similar distributed ledger technologies) will most likely move from limited pilots into mainstream production, e.g. for remittances or trade finance.
- 🌀 **Data** capabilities will benefit from new analytical techniques and tools for predictive and prescriptive decision support, many involving AI and machine learning (already behind the above front-end robots), and cognitive computing. Improved analytical capabilities will underpin better client differentiation approaches, enhanced segmentations and segmented end-to-end processes with real-time decisioning. Much of this is non-technical effort in strategies and process design, as is the governance of Big Data in the depositories built or connected with new technology.
- 🌀 **IoT** (internet of things) may be another buzzword, associated with telematics or connected lifestyle solutions, becoming particularly relevant to the private banking and wealth management industry. It has a significant differentiating potential for offering superior personalisation, enhanced offerings and value propositions. Still in early maturity phases, this trend is a great opportunity for early adopters and is to be closely watched or experimented with.

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- 🌀 **Customer Interaction** platforms: the revisited customer-centric push requires better relationship building, hence the renewed interest in CRM, as well as CX (customer experience) tools like the robotic personal assistants. In the new modular architectures, open APIs allow the integration of any combination of channels and touchpoint interfaces. Outputs from many of the above (like predictive analytics, IoT data) can be fed to these touchpoints to create the ultimate experience and relationships.

## Business, Not Just Technology Innovation

When we speak of technology advances as both a driver and a response, and when markets are obsessed with buzzwords like «fintech» and «insuretech», it is easy to overlook the point that what is changing is business and technology is only an enabler. In responding to the second important challenge above (innovation culture) we cannot overemphasise that innovation should equally address business models and processes, regardless of technologies that improve existing ones. Establishing a culture is in the «people» domain but, like most transformational change, critically depends on wide cross-functional engagement, rather than being left to the HR or OD function.

The proposed acceleration through focused initiatives is a good place to build innovation culture on-the-go. The faster development cycle of compact initiatives, their adaptive flexibility make them very much like the agile method in software development and the increasingly popular discipline of design thinking. DT is, in fact, highly recommended for both building an innovation culture, and for creative solution development.

Looking at the entire big picture, it becomes apparent that an accelerated transformation approach is very similar in nature and outcomes to the «big bang» programmes. It is delivered, however, with more frugal resource allocation and better risk control, while still allowing a phased implementation of a bigger and complete transformation roadmap.

«Every journey of a thousand miles begins with one first step». What is yours?

**Synpulse, a consulting firm with a 20-year record of advising and assisting the private banking and wealth management industry, has the methodologies and tools to identify and prioritise focused initiatives, and to facilitate their design and implementation.**



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