
Enabling client centricity

The road to success in
wealth management

A PwC Wealth Management
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of View Discussion Paper

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Executive summary

Wealth managers: new client approach

The basic point of view expressed in this paper is that banks and wealth managers urgently need to change the way they address client segmentation. If they want to survive and succeed, they will have to respect their clients' behaviours and focus on their needs in a much more focused and sustained way. Clients need to be the basis of strategic and organisational decisions.

Why does the focus need to change? Basically because in an increasingly high-pressure and fast changing environment, wealth managers have to find ways of reconciling apparently contradictory needs.

Dealing with contradictory forces

The market environment and outlook are developing positively, but because of diverse new trends and market pressure, banks and wealth managers are still struggling to keep the exclusive business segment running profitably. With clients expecting exclusive, transparent and fact- and data-based services, wealth managers need to tread the line between delivering differentiating services that fulfil client expectations and managing margins to run a profitable business.

A combination of globalisation, mobility, digitalisation, technology, other megatrends as well as the regulatory landscape has shaped new client behaviours and expectations. At the same time, the interest rate environment coupled with the urgency of finding technological solutions to overcome legacy issues and implement regulatory requirements, is increasing the pressure on providers to stay on track operationally. In the globally interconnected, digitally disintermediated markets in which all wealth managers operate today, there's no safe haven when it comes to the bottom line.

Global actives vs local affluents

Some banks have already started to recluster their client base to address changing client needs and new market environment, and adapt their offering accordingly. This will drive strategy and operations. Looking ahead we see two key overarching segments that wealth managers will absolutely have to consider and distinguish their service model upon: global actives, the highly involved global investor and local affluents, the passive high net worth individual.

Global actives:

- like to take the lead when it comes to making investment decisions; banks are executors on their guidance
- actively drive their portfolio – often globally and with the help of dedicated family offices
- usually set up their portfolio with complex wealth structures
- have a variety of investment products that need to be actively executed and managed
- demand a complex level of advisory, which differs from case to case; due to the highly individual services expecting institutional pricing

Local affluents, by contrast:

- tend to rely on information from their bank or the web and execute on the basis of guidance from investment experts
- have fairly passive investments covered by e.g. funds and ETFs, (partially) managed through robo advisors
- favour straight forward and modularised products, meaning also of rather low price, and economies of scale are important to achieve constant margins

Need to define client differentiators

Wealth managers need to work on the basis of these two overarching client clusters, and at the same time, need to identify further characteristics that differentiate individual clients: factors such as risk appetite, occupation, age and digital affinity. While these sub-clusters won't have an operational impact on strategy, they will help identify the needs of specific clients that have to be addressed in the advisory and investment process.

AuM no longer key to segmentation

We also believe that assets under management, which, until now, have played a key role in client segmentation, are likely to play only a subordinate role going forward. Increased market transparency is driving clients' willingness to pay for value-added services received or volumes transacted. This will change the banking landscape significantly, with predictive customer analytics playing a growing role.

This will also influence banks' decisions on how to structure their operating model. The new normal is that rapidly changing client expectations and the regulator's strict enforcement of compliance rules are limiting banks' flexibility in terms of strategies and new business models.

Clear structure and agile clustering

Wealth managers should focus on structuring within the two predominant client models, and align their strategy to an agile but focused client clustering approach to increase client centricity. This also means customising activities on the sales side.

Shifting focus from costs to clients

Wealth managers that want to succeed have to shift from an inside-out focus on costs to an outside-in focus on clients. This means placing a big focus on the front office organisation, delivering differentiating services that offer the provider a 'right to win'. Strategy, and hence cost structure and organisation, have to be built around this 'right to win'. The lead will come from the demands of clients, and banks have to follow.

Goodbye to universal banks

All this means the universal bank is on its way out. To survive, traditional wealth management institutions will have to find niches to serve and master; specialist areas in which they can deliver distinctive service quality.

Hello to the benefits of digital

Digitalisation and trends to a disintegrated value chain will give banks more flexibility to adapt, deliver agile processes and respond more quickly to changing client demands. Structuring along the key segments will also enable them to reactivate passive clients – one of an often overseen present opportunity.

1. From operational change to client centricity

Newly-empowered clients

A combination of many different developments is putting increasing pressure on wealth managers to focus on their clients. Sounds obvious, but until now, this client centricity hasn't generally been the norm.

After long-term growth and success up to 2008, the wealth management industry has been operating in a challenging and rapidly evolving landscape ever since. Regulatory pressure, political uncertainty, the low interest environment and diverse long-term trends have challenged and disrupted the market, pushing up costs and eroding margins. The long-term impact on the sector of key trends such as globalisation, technology and digitalisation, demographic changes and mobility is uncertain, and new competitors such as fintechs are entering the market and disintegrating the traditional value chain.

The increasing complexity and interconnectedness are making it harder than ever to adapt to these developments, forcing wealth management companies to set new priorities and a clear focus. They have less and less time to change and establish a competitive advantage.

Another crucial factor is the way clients have reacted in the wake of 2008. The industry in Switzerland can no longer rely on trust alone to attract customers. Today's clients demand financial facts, transparency, sophisticated technology, outstanding services, and compliance. They have been empowered – and not just by the wide-ranging regulation and political response to the financial crisis.

While many wealth managers have made progress in terms of reducing costs on the operational side – since the 1990s there has been a huge revival in industrialisation – the services they offer to clients have been driven primarily by regulatory requirements rather than their own initiatives. In other words, while banks have been focusing on an inside-out view, we expect that to shift to more effective servicing – run-the-bank operations going forward – the seller's market will increasingly become a buyer's market.

To secure their market position, wealth managers have to start looking from the outside in, in other words, from the client's point of view. Given that the market still lives to a large extent from people's willingness to pay an additional fee for value-added services, the priority has to be satisfying the client base. Providers have to focus on their key asset, the client, and let them drive the direction of their business. As competitive and economic pressures mount, we are increasingly seeing wealth managers embarking on a transformation journey to enhance their client value propositions.

Putting clients at the centre of wealth management strategy

The need to put customers at the heart of the business is nothing new for any professional service provider. However, this is something only few banks have achieved. Wealth managers have to stop seeing things only from their point of view, and get client-centric – fast.

Success lies on the delivery and sales side. To differentiate themselves, banks need to set up their business so that it's much more dedicated to clients. Wealth managers have to work out how to best serve the complex demands of their high-end clients by clustering them according to their characteristics and behaviour patterns. Delivering the highest quality in response to client needs allows them to set up an appropriate pricing model for their services and products. And in order to do so, providers have to focus on their differentiating capabilities.

Rather than multiple classifications, we see two overarching and distinct client clusters that need to be differentiated. The fact that both have very specific characteristics and demands means that banks will have to align their capabilities to deliver differentiating and efficient services and solutions to each of these client clusters. We call the two clusters local affluents and global actives.

How banks need to react

The upshot is that the universal bank is on its way out. To survive, traditional wealth management institutions have to find the niches they want to serve and master – specific areas where they can deliver distinctive service quality, with a focus on differentiating capabilities.

Basically, they have to decide on three things. (1) They have to decide which cluster and sub-segments to target. (2) They need to identify their key differentiating value proposition in relation to the two main client

clusters. (3) They have to align their internal cost structure to the chosen model and their differentiating capabilities. Following their decisions, they then need to build the right capabilities by way of investment, for example, in distinctive technology that matches their client base and transform their business, and eventually their culture. This path to success follows the principles of PwC's Fit for Growth – an approach resulting from an analysis of what prospering companies consistently and continuously have in common.

Current developments in the wealth management industry	
	• There is a significant gap between client expectations and wealth managers' service delivery.
	• Traditional players find responding to market disruptions a challenge, and may lack the flexibility to exploit opportunities.
	• A broad range of new players are entering the market, from insurers to digital/platform providers. They will challenge wealth managers to deliver the best services to their clients.
	• Increased regulation is driving greater transparency and suitability, with the risk of reputational damage for non-compliant firms.

2. Clients will change the rules of the market

Changing client preferences require a new way of segmenting

With long-term trends substantially changing both preferences and expectations, and margins firmly on the decline, wealth managers have been forced to actively advertise to win new clients and retain existing ones. This is the first time in a long while that this has been necessary in Switzerland. With this change, clients have been empowered in their position and their demand, e.g. on investment decisions, needed to be addressed more actively by banks.

We're observing four key trends driving the wealth management market:

- 1) Changes in client behaviour and preferences; also driven by a desire of transparency since the financial crisis in 2008
- 2) Changes in the operating model and the disintegration of the value chain (including advancing technologies and digitisation)
- 3) Stringent regulation
- 4) A challenging economic and political environment.

In recent years these four drivers have become increasingly interconnected.

For instance, we are seeing more and more clients, up to and including the super-rich, moving to omni-channel, beginning their investment journey online. Use of mobile, or more generally, remote engagement, is rapidly growing, and chatbots are increasingly accepted – even though they're rarely seen on the market so far.

However, it's not just the service side that's in transition. Technological change is leading to a broader variety of products requiring quicker and more complex portfolio adjustments and a live, omni-channel system of trading capabilities, risk assessments and portfolio adjustments. This not only gives clients more transparency, but enables wealth managers to analyse clients' overall investment behaviour and be more specific about their requirements.

The distribution of wealth is changing too, affecting wealth transfers from one generation to the next, within a country, or on a global scale. The impact of demographic changes of this sort on the client base is often underestimated, but it's something wealth

Key trends	
	Change of client expectation <ul style="list-style-type: none"> • Shifting wealth structures and customer re-segmentation • Higher client expectations (personalisation, advisory services quality etc.) • Transparency on costs & services
	Operational model/value chain disruption <ul style="list-style-type: none"> • Disruptive technology and new market player • Value chain disintegration due to new WM eco-system/networks • Digitalisation and customer focused set-up
	Demanding regulation <ul style="list-style-type: none"> • Complex regulatory landscape with global implications due to set-up • High costs for implementing and going forward, above all maintaining standards • Complex regulation for wealth structures
	Uncertain economic & political environment <ul style="list-style-type: none"> • Low interest rate environment • WM has recovered from crisis in 2008, but uncertainties trigger investment hesitation • Higher internal tax transparency standards

Major impacts	
1	Positioning towards the clients <ul style="list-style-type: none"> • Focus on target segment and own service strength: Split of segments into globally active clients with complex wealth structures and local affluent with modularised services and products • Demand of innovative products/services • Fast execution through digitalisation/data analytics
2	Scalability and niche approach <ul style="list-style-type: none"> • Building new ecosystem of banks/formation of network with third parties in all areas • Focused strategy with niche players or economies of scale; universal banks on the way out • Value proposition towards customer needs • Positioning with innovation/technology
3	Time efficient solutions <ul style="list-style-type: none"> • Efficient set-up, automation and digitalisation to reduce admin time • High knowledge demand for client relationship managers to serve (U)HNWI clients • Digital onboarding and processing, including live-time risk management
4	Continuous change <ul style="list-style-type: none"> • Focused, but at the same time-flexible strategy to be able to respond to changes • New ways of cost reduction (outsourcing/offshoring, service companies) • Ingrained change culture based on fundamental values

managers have to take account of in their segment and service delivery strategy. Globalisation is increasing competition around the globe, with a broad range of new players, from insurers to digital/platform providers, entering the market. With increasing mobility, closely linked to globalisation, flexibility is becoming increasingly relevant for clients. Successful wealth managers are always a step ahead, anticipating these developments and actively accompanying clients on their journeys.

However, there's a fundamental problem: wealth managers often fail to ask themselves what their core value proposition is, which means they also fail to focus sufficiently on their differentiating capabilities, their niche. The industry is transforming, and time is now for traditional wealth managers to adjust their business models accordingly to specialise on their core segment in the niche where they operate, and to rethink or even close down specific areas of business they were involved in.

Various factors forcing a different segmentation approach

The only valid response to the broadening variety of client preferences is a stronger specialisation on these needs. Luckily, this also offers huge possibilities. By focusing on needs, banks can effectively manage costs by aligning resources efficiently with market requirements. Clients, for their part, benefit from more customised services.

Client segmentation is nothing new. Nevertheless, what we're proposing here is a different approach to segmentation based on a more agile model – revolving around two clearly defined client clusters – better suited to today's disintegrating reality. These two overarching client clusters evolve out of fundamentally different client behaviours, demands and business activities. However, they are just one step on a longer journey.

Based on the two clusters that we believe are generic for all institutions – local affluents and global actives – banks then need to define further sub-segmentation criteria that fit their specific target client base. These additional criteria will include geographic,

demographic, psychographic or behavioural factors. This evolution means that the use of all possible data available will become increasingly important. Big data analytics methods already today allow prediction of customer behaviour quite accurately and are part of normal business in other industries such as industrials or consumer goods.

Management considerations, but also country-specific regulatory, tax or even data protection requirements (e.g. EU GDPR¹), will influence the results of the analytical methodologies and with that the segmentations geographically.

What do these geographic, demographic, psychographic and behavioural factors influence in addition?

The demographic segmentation done by financial institutions usually includes assets under management (AuM) in addition to indicators such as age and level of education. Indeed for many banks, AuM is the main parameter.

Psychographic segmentation considers client lifestyle.

In the context of the wealth management industry, behavioural segmentation also targets investment preferences, and thus has direct implications for the service model – from a regulatory point of view (MiFID Regulations/FIDLEG²) as well. Some clients prefer complex and exotic products, whereas others are risk-averse and more interested in preserving their wealth. Wealthy clients show an inclination to more sophisticated investments and express respective specific needs.

Despite the many different criteria that can be used to cluster clients of similar behaviour and affinity, it's crucial to remember that we're talking about two main distinct groups of clients: local affluents and global actives. Given their nature, deciding to service one of these groups (or also both of them) finds its consequences in the selection of the most effective and efficient operating model and acquisition and servicing approaches – and is eventually decisive about each wealth manager's right-to-win.

1 The European Union General Data Protection Regulation (EU GDPR) is a fundamental regulatory revision of information management and a new chapter in data protection. While governing the entire processing of personal data, the GDPR can justifiably be called a milestone in data protection. The regulation, which enters into force in May 2018, imposes far-reaching obligations on all processors of data of EU residents. See also PwC, The EU GDPR in the Banking Industry, 2017.

2 The Markets in Financial Instruments Directive (MiFID) – which has a Swiss counterpart, FIDLEG – is a harmonised investment services regulation in the European Union with multiple obligations, mainly around consumer protection.

3. Towards a client business service model

It's all about clients

Client centricity means executing on what clients really value, taking their expectations seriously. It's more than just delivering on clients' requests, but constantly exceeding them. From our market insights, we see three elements that need to be considered:

- 1) Clients are demanding an increasing level of complex services and investment products around the world; delivering all this creates costs for the bank.
- 2) Regulatory requirements are limiting services or imposing stringent standards on their execution.
- 3) Banks need to find a way to restructure their operations effectively and efficiently without jeopardising client service. Cost structure has to be aligned with strategy. A wealth manager's strategy has to revolve around its clients and its own specific differentiating capabilities; it is the latter that defines the service portfolio.

These requirements are a challenge for banks, and at first sight mutually exclusive: they call for an individualised, modularised offering, but at the same time demand standardised service delivery.

Despite the apparent contradiction, these requirements can actually be reconciled. The secret lies in distinguishing between local affluents and global actives and addressing each cluster appropriately. Clients in each of these categories demand specific yet very different services requiring fundamentally different delivery models and operating capabilities.

Local affluents want efficient investment solutions in response to their personalised wealth management needs. They are cost conscious, and an increasing number trust high-tech approaches such as mobile trading and robo advisors.

Global actives, on the other hand, demand highly specialised services and access to global banking products and investment advice, often combined with complex tax arrangements, legal advice and financing needs. They are interested in non-public investment opportunities and the management of complex portfolios. If they don't get access through their wealth manager, they will build up their own expertise by way of family office structures.

	Local affluents	Global actives
Client		
Customer traits	<ul style="list-style-type: none"> Highly affluent in home country Rather risk-averse, focus on wealth preservation 	<ul style="list-style-type: none"> Global footprint and investment behaviour Strongly and increasingly self-directed
Complexity level	<ul style="list-style-type: none"> Lower to medium, in terms of both direct services and number and complexity of investment vehicles 	<ul style="list-style-type: none"> Higher complexity, in terms of both direct services and the number of investment vehicles
Bank		
Business model	<ul style="list-style-type: none"> Demand holistic advice across the life cycle, and are increasingly protected by regulators Focus on plain vanilla investment products 	<ul style="list-style-type: none"> Broad, deep coverage of asset classes Access to PE investments and networks Increasing demand for very specific and individual services
Operating model	<ul style="list-style-type: none"> Gain high visibility in the specific region; market penetration driven by distribution muscle Local booking centre with strong retail capability and scalability 	<ul style="list-style-type: none"> Small number of branches in hot-spot locations worldwide Global booking centre footprint with strong offshore and multi-shoring capabilities

Local affluent: the passive high net worth individuals

Local affluent are wealthy, but not global jet-setters in the way they invest. They prefer to possess a well-structured portfolio, advised and guided by their bank. They want to avoid both complexity and high risks, and have fairly localised demands on their relationship manager. As a result, relationships are rather transaction-based and not heavy on individualised services. However, the fact that they want standard banking services doesn't mean they're prepared to do without personalised services. For these clients, personal relationship management is less complex, and easier to replace with electronic or self-service channels. Direct access to global investment solutions is more important than personal contact.

Besides asset management, the range of services offered to local affluent should include standard wealth management solutions ranging from asset allocation optimisation, wealth planning, portfolio management and mortgages to succession and retirement planning. Increased mobile accessibility may have a positive influence on this segment's use of more efficient delivery models such as robo advisors, chatbots and other digital tools.

In terms of risk appetite, wealth preservation is a predominant factor for local affluent. Alongside low risks, they will expect returns in line with their local market environment. They favour traditional products such as mortgages, bonds, funds and equities, while exotic and complex investment products tend to be the exception.

Irrespective of their limited need for investment advice, local affluent expect their wealth managers to deliver outstanding service and client experience. Nowadays, basic services like 24/7 access via multichannel solutions (e-banking, mobile-banking, etc.) are taken for granted by clients and can be considered as hygiene factors, whereas individual and personal contact and services still have to be provided where required.

Players seeking to target local affluent in mature markets will face stiff competition, and growth will only be possible at the expense of others. This means that wealth managers will have to be laser-focused on their strategy and deliver differentiating services. By contrast, emerging wealth in developing markets will provide room for growth and new entrants.

Global active: the highly involved global investor

Here it's all about complexity. With certain exceptions, globally active clients have a more complex portfolio because of their worldwide reach. They require additional services to optimise complex structures and cover their business needs, address family wealth planning and pursue their personal ambitions. Often they are actively involved in managing their portfolio, invest (directly) in specific assets and take risks in following their proven business instincts and tradition. They prefer to take direct positions in companies they understand, and might even assume an active mandate. As their business and families spread, global mobility and flexible access are key to meeting their service expectations. From their main banking relationship, they expect an understanding of their entire situation end-to-end, and investment opportunities from around the world that are well aligned with their overall strategy. They expect their partner to deliver customised services well beyond what traditional banks offer. This means that managing complexity is everything, and that clients will compare prices with those paid by institutional clients. This segment is not restricted to a specific amount of wealth, but does expect a breadth of service only few clients can afford.

Sub-segments need to be considered in their regional context, reflecting the different stages along the typical road of evolution of the super-rich. A distinction has to be made between new wealth, a sub-segment usually displaying more entrepreneurship and high growth aspirations, and old wealth, where there is a much greater focus on long-lasting relationships, legacy building, family governance structures and wealth preservation.

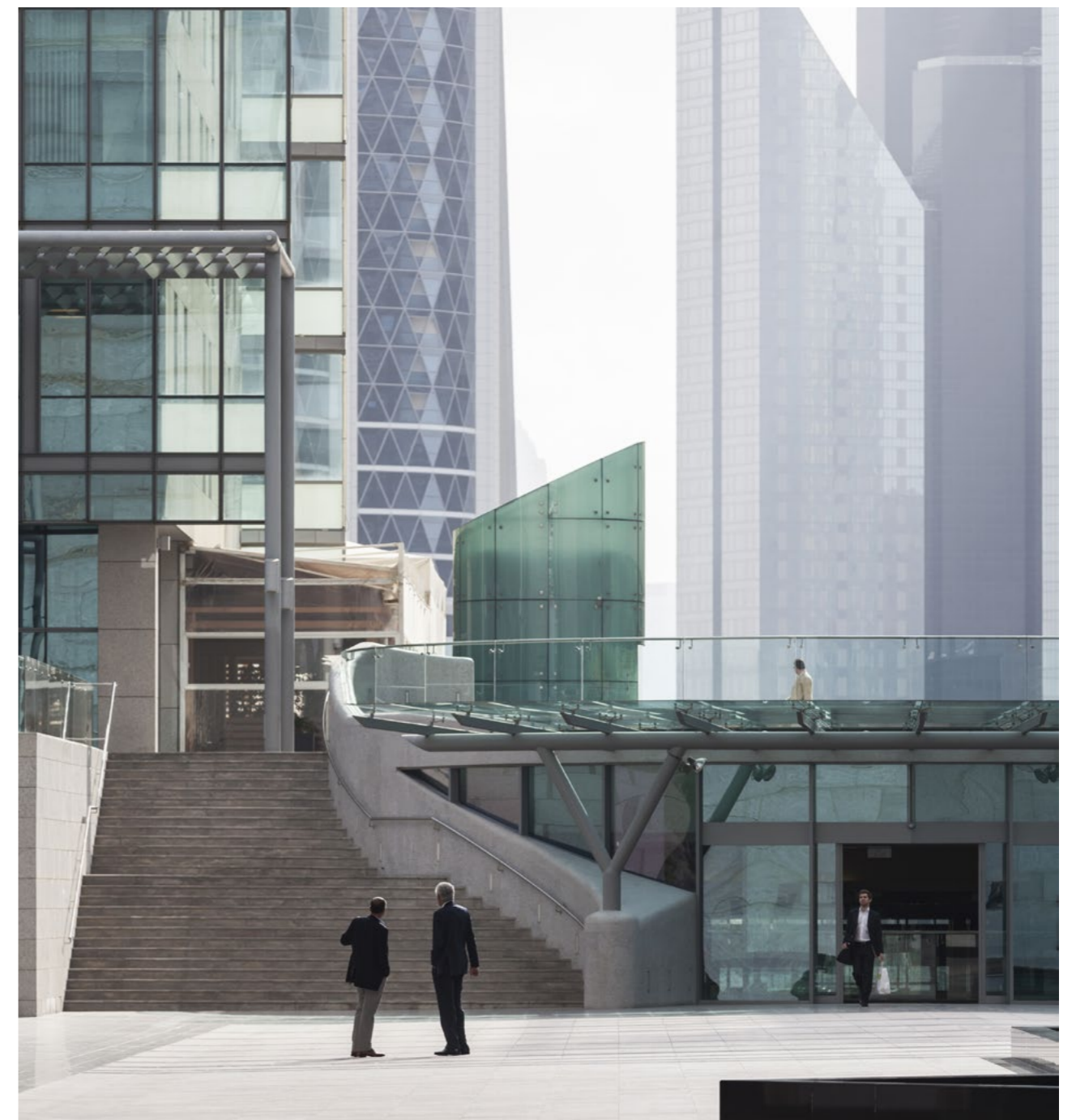
Wealth managers serving global active are in direct competition with family offices. Although wealth managers provide a wide range of in-house solutions that family offices do not, the latter possess close and trusted relationships and understand their client's needs comprehensively. Successful wealth managers provide services beyond traditional banking and focus on the client's individual end-to-end situation. A core criterion is, therefore an extensive global network spanning different markets, industries and topics that can connect clients and support them in all areas, from wealth structuring to philanthropy.

Beyond the two main client segments

The two main client clusters we have identified display fundamental differences. This forces successful wealth managers to focus on distinct capabilities where they build and market their core competence, and deliver their services to their target clients via specific business and operating models across all possible channels.

The two client clusters should not be perceived as homogeneous; they rather correlate with the local market for the local

affluent on the investment and regulatory side, and with the global economy and industry focus for the global active. Each cluster includes both active and passive clients, with wealth rooted in new or old money, and focusing on either wealth creation or wealth preservation. There is no doubt that self-made wealthy individuals and entrepreneurs have different values than people who are part of a larger family legacy. The bottom line is that overarching client clusters need to be at the core of every successful wealth manager's strategy. But this is only the beginning of the journey.



4. Towards a client-centric operational model

Scalability vs niche

Wealth managers have to focus on their differentiating capabilities. However, in recent years, banks, and in particular, wealth managers, have struggled to differentiate themselves from their competitors. Regulation and increased cost pressure led to very similar offerings. To a certain extent, innovation through fintech companies and the digital wave have helped banks achieve moderate value chain disintegration and move client interaction to more diversified channels. However, these are not significantly differentiating moves by any stretch of the imagination. What we have observed is an evolutionary development towards more efficient working processes, a higher degree of automation and a better integrated customer journey, but still offering the same banking services and products. These attempts are not what you would call disruptive. The key challenge we see is the lack of clear client focus. Banks are struggling to find an anchor for a truly unique selling proposition they can invest in. Instead, they're trying to provide clients with all sorts of fancy digital features indistinguishable from what many of their competitors are providing.

The first step has to be to commit to one or both of the two predominant client clusters, local affluent or global actives. Making specific investments in one of these two client segments decreases costs and allows management to decide more clearly and strategically about the areas in which it intends to invest.

Client relationship managers still represent the biggest cost for banks. The skill set of these relationship managers, and the supporting technology and service deployment in general, will need to be clearly differentiated depending on whether local affluent and global active clients are being addressed. For local affluents, these resources have to be sharply focused on efficiency and a scalable business model covering the full client life cycle on a highly integrated basis. Global actives, by contrast, require an easily customisable but very broad and globally present offering platform providing professional asset management and products at institutional price levels.

Stepping up technology-based services for local affluents

Wealth managers serving local affluents used to provide a broader range of banking services involving a cost-intensive branch network and a lot of time actually present with the client, all of which is very costly. Banks had to maintain a complex and cost-intensive structure to deliver this wide range of services and products.

To eliminate the need for these cost-intensive structures, wealth managers now have to focus on standardised and automated back and middle offices that feed effectively into a personalised front office, developing a well-coordinated client centric service delivery model. The key will be to integrate services and products across all channels, increasingly offering the convenience of digital. Technology and digital solutions will help reduce the complexity of this segment, but also give it the benefit of more efficient servicing with the help of new technologies that support relationship managers across the entire client management cycle – as well as providing clients with much more flexibility in terms of banking, communication channels and access to information.

The trick will be to find the balance between a standardised process and an offering customisable to individual demands – which will ultimately entail modularisation. Advances in technology are driving quantum change across the value chain – including new modes of client acquisition, customised investment advice, research and portfolio management, middle and back office processes, distribution and client engagement. Banks flexing their data analytics muscle, often by teaming up with technology giants, can analyse the behaviour and preferences of their target segments. This way, they can make their initiatives more targeted and achieve a higher hit rate when it comes to proposing the right products and services.

The technology is available 24/7, and as the world becomes increasingly mobile (as it already has in other industries), it will be deployable across every communication channel.

There's also plenty of room for improvement on the operational side. Once you have streamlined and standardised working procedures in place, you have a good starting point for thinking about outsourcing and market utility. Regulatory requirements can be integrated more efficiently and comprehensively into the value chain, relieving front-facing staff of cumbersome physical form-based procedures. On the service and product side, you first have to define your core value proposition. Then you can decide what to build in-house and improve and maintain on an ongoing basis, and what you're going to buy from the market as a commodity. Modularisation will help keep the balance between standardised servicing, products and cost efficiency, and individual solutions.

After completing these first two steps, the third discipline to master is process excellence. Often such endeavours begin with front-to-back reviews and a redesign of existing core processes to ensure streamlined customer service and transparent cost and risk management. However, these initiatives are often hampered by legacy banking systems, a multitude of supporting applications, and inconsistent data, records and process management. Again, help is available in the form of various technological tools, such as automated digital process analytics, which have been greatly improved and professionalised in the last few years.

Defining the future service and target infrastructure, combined with the right mix of agile design and solid implementation governance, will be crucial for wealth managers seeking sustained cost-effectiveness. Mastering the conflict of flexible and ever-changing customer needs, accelerated by digital innovation, and a comfortable customer journey with the highly complex and increasingly interwoven regulatory requirements will separate the winners from losers in the industry. A hastily implemented new digital channel that doesn't include the capability to adequately improve processing speed in the middle and back office will detract from the client experience, as will old-fashioned and inconvenient access to products and modes of interaction with bankers.

These days customers are accustomed to navigating their way through easy-to-understand sales platforms (with integrated reports of other customer's experience and quality reviews), deciding what they want

directly, buying it, and having it delivered the next day (at the latest). So complex offerings with opaque pricing, account opening processes lasting weeks, investment advice not available the second it's needed, and even non-performing products, are all doomed to extinction. Clients now expect their financial services platform to offer convenience and variety, enable them to combine their investment products at the click of a mouse while at the same time analysing their spending patterns to optimise wealth plans and pension schemes, and – on the basis of poor performance or simply a neighbour's recommendation – change custodian, broker or payment service provider in an instant.

Servicing complexity at a lower price for global actives

As anticipated in 2014 in a report entitled 'Surviving the Valley of Death: Wealth Management 2020', the increasingly globally active superrich don't need the service demanded by the affluent. They have their own staff to figure it out. Four consecutive studies on billionaires have shown how they insource wealth management to their family offices or niche boutiques, and what cornerstones of governance for business, family and personal interest define their tremendous growth, which is outpacing the MSCI World Index. When global active clients ask for advice, it will be in very special fields such as global custody, highly specialised private equity know-how or comprehensive global tax advice across generations – all top-quality services, naturally, offered at institutional prices. This includes access to an efficient investment banking service.

Wealth managers, who target this cluster of clients must be aware of the different levels of generational evolution and market maturities, as well as the increasing importance of networks built or frequented by members. Global access and capability is a must, and has to be part of the wealth manager's DNA. The sector in which a billionaire is active or from which a wealthy family draws its income also has a dominant influence on how risks are assessed and further investment decisions are taken. The desire to go public varies from region to region, and the way services are made available has to differ accordingly. Emotional interests and social responsibility are further factors that may influence decisions on the governance of wealth and the networks global actives participate in.

3 See Strategy&/PwC Market utilities in financial services: What role will you play?, 2017

The new normal is now

The wealth management industry is changing, and this change is now accelerating at an exponential rate. The industry is set for growth, but wealth managers must become business revolutionaries if they are to survive and prosper. Now is time for action, and it all begins with client centricity.

Players starting to grow in the two clusters, which we have outlined, have adapted their value proposition and service delivery, and are driving the market.

The regulatory boundaries have been set, and also heavily influence the digital agendas of banks increasingly interlinking the requirements of AML with MiFID/FIDLEG and data protection. Wealth managers have to invest, both to safeguard what already exists and to capture future growth. They have to create efficiency to survive fierce competition and counter the ongoing erosion of margins⁴.

As cost-saving initiatives have not yielded the desired benefits, more fundamental restructuring needs to be done and new operating models have to be defined. All this means that the universal bank is on its way out, and that in order to survive, traditional wealth management institutions will have to find the niches they want to serve and master and where they can deliver distinctive service quality.

To summarise: the industry will continue to face the challenges it faces now. The recipe for success is no different from what it was in the past. Only time will tell who is able put together the right set of capabilities and exercise it with the greatest degree of agility and discipline. The race is on!

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⁴ See PwC Private Banking in Switzerland and Liechtenstein: are its days numbered?, 2017

