

Taking Wealth Management Digital

The cultural shift disrupting wealth management



Service Overview

Digitization has transformed much of the financial-services industry during the past several years, yet Private Banking and Wealth Management (PBWM) firms have remained largely on the side lines. The shift to digitization is inevitable and will transform the industry in the coming decade. The firms that develop a coherent plan for digitization will give themselves a head start in capitalizing on these advantages, which include stronger client relationships, reduced operating costs and enhanced risk management and regulatory compliance capabilities. There are four powerful forces currently shaping the PBWM industry.

Client Issues

The digital shift is being driven in part by changes among PBWM firms' clients. While the typical PBWM customer in a developed market today is at least 65 years old and is fairly comfortable with digital technology, it is fair to assume that subsequent generations will be far more comfortable and as a result, more demanding. Shifting demographics, changing client behaviors, rising technological innovations and emerging disruptive competition are all reshaping the PBWM industry.

Shifting demographics

Shifting demographics are being reflected in the a) significant growth in the retiree population b) the \$41T+ inter-generational transfer of wealth c) growing cultural diversity and d) an aging advisor population. An increasing retiree population seeks new investment strategies focused on income drawdown and preservation. As the automation of investment advice increases, the importance of delivering effective non-investment advice (e.g. family governance, education, etc.) increases. Additionally, the massive \$41T+ of wealth transfer between generations is gradually shifting the client base to younger generations who were raised in the digital age and have very different personal financial preferences.

Changing client behaviours and expectations

Changing client behaviours and expectations drive immediate demand for multi-channel access across client segments. In the face of multiple waves of global financial turmoil and a loss of trust, clients are seeking to avoid poor customer experiences that include lack of simplicity, clarity and guarantee of services.

Rising technological innovations

Rising technological innovations, particularly in terms of social media, mobility, Big Data and the Cloud, are expanding client-firm interactions and influencing strategic decision-making and operational excellence.

Emerging disruptive competition

Emerging disruptive competition is forcing wealth managers to reconsider the role of the advisor as new channels for obtaining investment advice and selecting and evaluating advisors emerge – all against the backdrop of a rapidly changing regulatory landscape.

Historically serving high net worth individuals (HNWIs) has been considered a face-to-face business; however, research conducted by RBC wealth management indicates that 19.4% of Japanese HNWIs place greater importance on digital contact (Internet, mobile, email) versus only 9.7% for direct and personal contact.¹ There has been a perception in Japan that HNWIs are too old and unsavvy when it comes to technology; however, over 50%² of the population aged between 60 and 79 use the internet. While they may not be digital natives, they are technologically aware.

Impacts

Digitalization offers sustainable and realistic opportunities for PBWM firms, generating benefits from the front office to the back office.

Enhancing the value and driving sales through stronger client relationship

Many PBWM clients are spending an increasing amount of time on social communication networks. Identifying client needs and designing tools based on those needs will allow firms to be better able to develop new offerings for both current and new customers. Current industry trends show that balancing pull-information and push-communications are critical for effective sales. For instance, providing clients with customized and relevant information can be an opportunity to open a dialogue and assess their current needs. At the same time, social media such as Twitter, Facebook and specialized online communities will help to bring the personal advisor relationship online. What is important to enhance sales through digitalization is to offer attractive pricing, accessibility on any device, direct access to specialists and support whenever the client wants to differentiate themselves from standard online brokers.

Reducing operational cost

Digitalization will continue to reduce internal and external operational costs through driving standardization, efficiency and automation. Current competitive pressures in the PBWM industry, such as reduced margins, are inevitable in order to keep and attract new customers. For internal operations digitalization can be used to roll out new programs and investment ideas to their relationship managers. Major banks have made significant investments in this area. Externally, digitalization contributes to keeping a standardized client relationship between clients and relationship managers and allows clients to access their bank information directly rather than calling and having to speak with a relationship manager. Moreover, digitalization will help to reduce unproductive time of relationship managers and specialists by utilizing online chat and video conference

¹Source: RBC Wealth Management- Asia Pacific Wealth Report 2014

²Source: Ministry of Internal Affairs and Communication

functions. It could be said that digitalization will allow for reduced operational costs by removing some of the administrative burden on managers while offering higher usability to customers.

Enhancing risk management and regulatory compliance capabilities

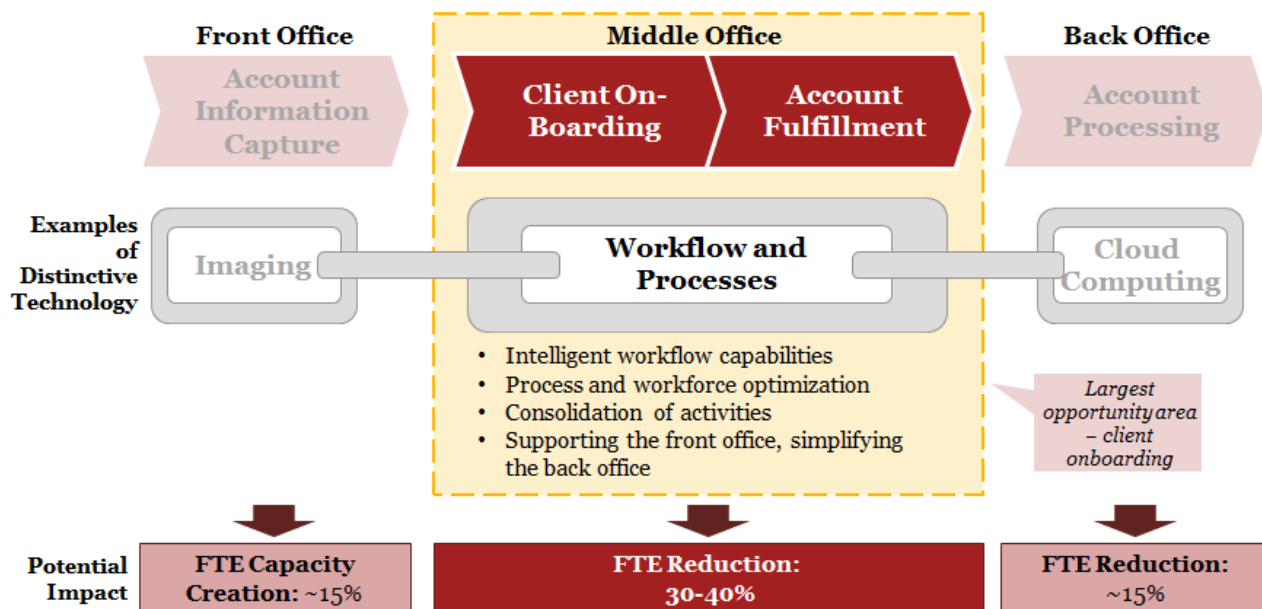
The importance of the middle office has been growing as regulatory requirements become more stringent. Digitalization can help to manage risk and compliance in the areas of early warning systems for credit defaults, individual portfolio monitoring and recognition of reputational risks in the market. Some firms are already using tablet devices which incorporate standardized risk and digital portfolio risk management tools for face-to-face meetings between relationship managers and clients. These applications bring effective risk management as well as enhanced value to the customer- manager relationship.

Using digital solutions to drive efficiencies

Wealth management firms that digitize processes enable the ability to drive cost efficiencies across the front, middle and back office

Illustrative

Efficiency Opportunities – Client Onboarding Example



Our Approach

PwC proposes to use our proven innovation approach, engaging your stakeholders and clients from start to finish. We propose to undertake the project over a 10 week period with three key phases.

1) Explore the strategic context and define success

It is critical to establish the right foundation and to define success for this strategic initiative. We will explore leading practices, trends and customer insights .

2) Innovate the new digital private banking & wealth management experience

We support our clients through an intensive, fulfilling, fun and innovative design process. We bring structure, strong facilitation, creativity and deep insight to help you innovate and design solutions, while steadfastly maintaining focus on the business outcome.

3) Develop a strategic road map and MVP delivery plan

The Plan phase is about understanding how to move from strategy and innovation to execution. We will work to produce the options and plans needed by your leadership team to support proper decision making.

Our proposed project plan

	Week				
	Week 1&2	Week 3&4	Week 5&6	Week 7&8	Week 9&10
Explore					
Validate strategic context & external trends					
Identify & define target client groups					
Explore leading luxury brands & digital experience					
Define Success: Set measurable goals					
Access your current state					
Design					
Joint innovation forum “big ideas”					
Design end to end client Journey					
UX, rapid visualization & prototyping					
Define high level requirements& MVP					
Design target state technology & operating model					
Plan					
Develop strategic road map for next 2-3years					
Develop benefits case& investment required					
Define delivery model, teams, methods, tools & governance					
Define high level plan for MVP					

PwC has a combination of capabilities, ranging from deep industry knowledge and regulatory expertise through to innovation and rapid prototyping that are unique to the market.

Breadth of capabilities from strategic consulting to technology delivery

We bring an unparalleled end-to-end capability to help you achieve your goals. From strategy, through to management consulting, innovation, creative design, technology, risk, cyber, tax and operating model change, we can provide the full set of skills that you require.

Customer and digital experience and innovation

We have an extensive customer and digital capability track record, from vision through to execution. Our digital design and rapid prototyping team quickly bring concepts to life, while our purpose-built innovation space facilitates creative working in groups.

Deep industry knowledge and insight

We have a deep understanding of global regulatory challenges and commercial opportunities in the industry. Our private banking research, benchmarks, leading practice examples and thought leadership will help to compliment your own research.

We have prior experience working with private banks and other organizations

We have a track record of developing similar digital value propositions for leading global private banks. We have recently delivered new digital propositions for top companies across Japan.

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