



Strategic initiatives for winning using wealth-tech

To capitalize on the evolution of the technology they use to serve clients, wealth managers should focus on five actions

Strategic initiatives for winning using wealth-tech

A change in investor demographics. A new generation of clients who expect more than convenient, functional, and seamless experiences. Years of underinvestment in technology that's resulted in an urgent need to create a digital ecosystem that will propel differentiation in the market. Cybersecurity threats that keep relentless pace with emerging technological innovations.

These are but some of the challenges facing wealth management firms as they seek to advance the wealth technology (wealth-tech) they need to serve personal and institutional clients. For those who are able to keep up, such developments in wealth-tech have been creating winning market opportunities.

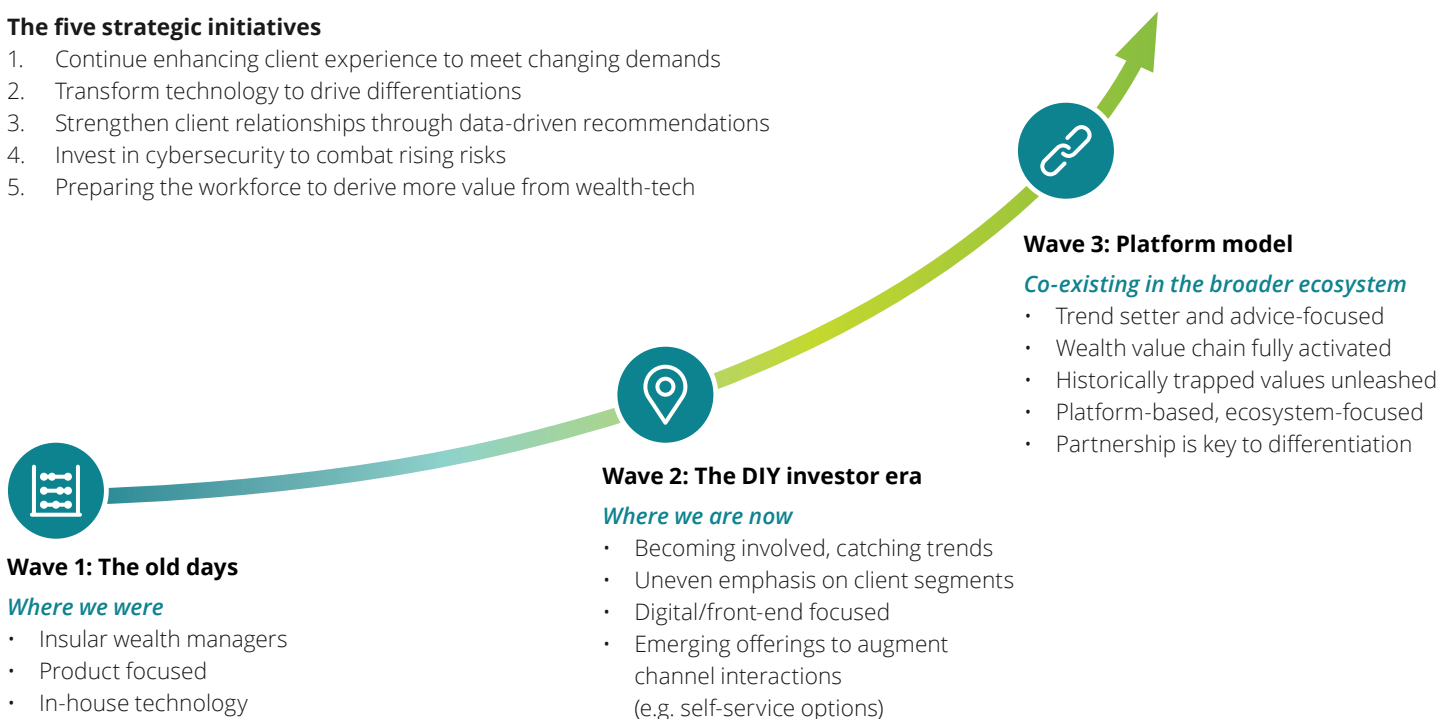
The wealth industry has undergone changes through waves of innovation. The earlier insular, product based, in-house technology has given way to a DIY investor era, focused on more involvement and interactions by wealth firms with their clients, different client segments and providing them with digital, self-serve solutions.

With rapid advances in technology over the years, as wealth-tech's influence and adoption rate by wealth firms increases, the time between each new wave of wealth technology innovation decreases. This makes it imperative for wealth managers to focus their efforts on initiatives that help them capitalize on these innovation waves, and that starts with keeping informed of current wealth-tech trends.

To help industry leaders stay current and position themselves to succeed, we have identified five strategic initiatives they may want to pursue.

The five strategic initiatives

1. Continue enhancing client experience to meet changing demands
2. Transform technology to drive differentiations
3. Strengthen client relationships through data-driven recommendations
4. Invest in cybersecurity to combat rising risks
5. Preparing the workforce to derive more value from wealth-tech



1 Continue enhancing the client experience to meet changing demands

The client experience has been the prompt for the digital transformation journey of wealth management companies. Digital leaders have typically invested in making the experience one that is convenient, functional, and seamless, qualities that have become staples of client expectation.

Next-generation clients, however, are looking for more. They want:

Intimacy, built through long-term relationships as well as frequent and empathetic engagement.

Relevance, solidified by solving their key needs in a timely and effective way, even when those needs stretch beyond traditional offerings.

Perceptiveness, demonstrated by the identification of their evolving needs and solution options, both explicit and implicit, and through their own participation in development of such solutions and experiences.

Clients these days expect an exceptional experience that's tailored to their needs, regardless of the channel or area of the organization with which they're dealing. To earn a few quick wins, wealth-tech leaders could consider enhancing the following areas:

- **Client onboarding:** With no in-person meetings for many during the pandemic, the emphasis on a fully digital client-onboarding experience has increased. By introducing dynamic digital forms, digital confirmation of client identity, e-signatures, document uploads and verifications, and risk profiling and scoring to correctly gauge a client's risk tolerance, onboarding can be completed with minimal delay. Various out-of-the-box products customized for the Canadian marketplace are already being used in this space.
- **End-to-end process optimization:** Many wealth managers are now looking to consolidate their disparate processes into one seamless, artificial intelligence (AI)-powered workflow for specific client outcomes. Incorporating this workflow into a value chain for all wealth operations ensures efficiency is built into the model, freeing up advisors' time from work that's mundane and generates no value. Examples where such automation can be used are any repeatable and labour-intensive processes or synchronizing between two disparate customer relationship management (CRM) systems. One caveat: while this provides a quick fix, the full potential of intelligent automation can't be explored if the organization's back-office technology stack is obsolete.

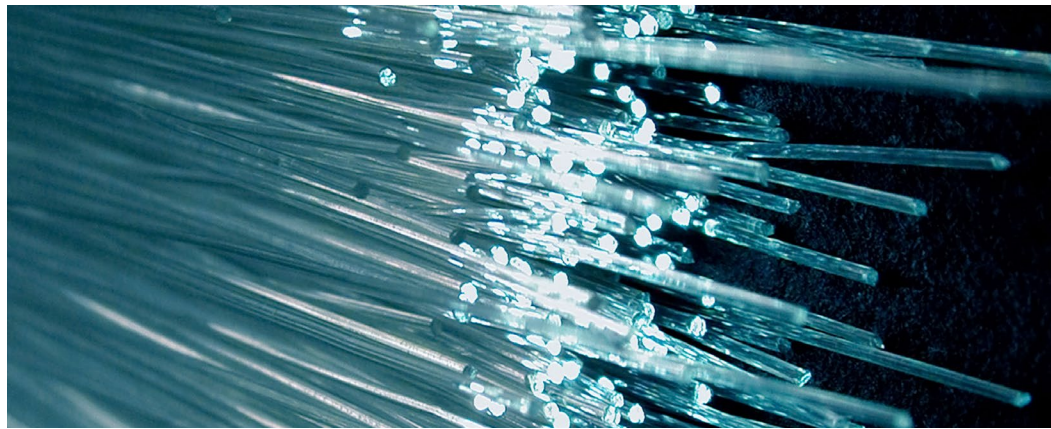
- **Richer client collaboration and experience:** After growing more tech-savvy during the COVID-19 pandemic, clients are not only seeking a seamless digital experience, but also a richer one. Integrated video conferencing and collaborative engagement tools can move CRM beyond basic contact information and investment reporting. Incorporating these innovations can support building a goals-based plan with the client, help model different market scenarios, and have the potential to spark a more interactive conversation with the client.
- **Other aspects to consider:** Virtual reality (VR), augmented reality (AR), and mixed reality are changing the digital landscape. In wealth-tech, this may mean incorporating VR assistants for clients, chatbots, and voice and natural language processing into CRM platforms. According to a 2020 Gartner report, more than half of wealth firms have deployed conversational platforms or plan to do so shortly, with 38 percent of those identifying customer experience as the area where conversational platforms will have the most impact.²



2 Transform technology to drive differentiations

With a technology debt caused by underinvestment by both vendors and wealth managers, there's a real urgency to create a technology ecosystem that will help wealth firms compete and differentiate themselves in the market. This is especially the case for internal systems, which cannot be quickly established without significant upfront investment.

The ability to form partnerships with vendors, businesses, and clients beyond a wealth manager's domain is a true driver of digital transformation. It can help managers simultaneously achieve multiple goals, such as filling product gaps, strengthening distribution, and exploring new value streams. As an example, values that have previously been too challenging to reach can now be unlocked thanks to next-generation wealth-tech, which can extract more meaning from existing processes and data.



While many wealth-tech ecosystems are currently available on the market, no single one suits all purposes. Wealth managers need to implement the right network for their organization. This decision starts with some key questions:

1. What areas do I want to play in: a full spectrum of advice, or a highly specialized segment?
2. What should be sourced externally and who should it be sourced from? What should be built internally—and how do we build it?
3. What is the right governance model for partnerships in my ecosystem?
4. How do I ensure the evolvability of the wealth-tech ecosystem?

Trending core technology considerations include:

- **Agile/lightweight architecture:**

As the emphasis on digital transformation grows, many wealth management firms are finding themselves constrained due to monolithic platforms that are hard to reconfigure and deploy. These firms have started decoupling such architecture so the backend can be accessed through application programming interfaces (APIs) or microservices. A microservices architecture can add new functionality to wealth management systems by creating, deploying, and testing new services, and getting them to market faster. A microservices/service-oriented architecture not only offers scalable solutions, but also insulates the backend to avoid any direct attacks or misuse. APIs are a widely used technology in the wealth management space and there seems to be little appetite for slowing down investment—87 percent of firms indicate they will not be reducing investment in this technology, according to the Gartner report.²

- **Human/science-based advice:¹**

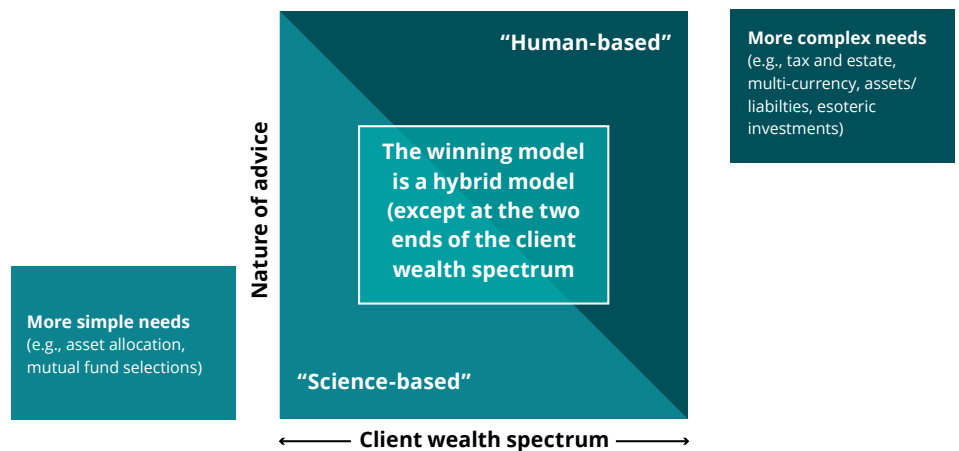
Advisory models based on data science, commonly known as *robo-advisors*, have the potential to expand the market, attracting customers who could not previously afford a personal advisor or were not comfortable with human advice. Financial advisors can effectively outsource some aspects of their work by using robo-advisors to provide algorithmic-driven advisory services. This allows them to focus their time where they can add the most value for their clients and differentiate themselves, such as by focusing on complex client needs and scenarios. Incumbent wealth management firms will need to invest in building the technology platforms and tools that will enable this hybrid advisory model, which incorporates the best of human- and science-based advice. ➤

2 Transform technology to drive differentiations

- **Client reporting:** With high-net-worth clients demanding more transparent, accurate, holistic, clear, and real-time reporting, regulatory forces are pressuring wealth firms to provide more in-depth reporting to their clients. Some firms have been using low-code solutions, which can be used easily by various business functions without the need to employ IT staff to manage them, to generate tailored reports for their clients. And some clients are using vendor products or making use of a third-party, software as a service (SaaS)-based product to generate and customize their own in-house reports.

As goal-based planning becomes the basis for financial advice delivery, wealth management firms will need to access data from a variety of areas. This data can be mined through financial planning software, aggregation software, proposal-generation tools, CRM and analytics tools, and other platforms. Through a combination of these sources, firms can create a well-rounded view of a client's entire financial life.

Firms are evolving their performance measures and incentive structures due to the importance of advice-based wealth management, leading to advisors being measured by whether they meet clients' goals rather than beat market benchmarks.



The foundations for robust client reporting can be built by putting in place:

- **An integrated data repository,** supported by a data architecture that centralizes data from disparate sources, which serves as a single source of truth for the entire enterprise.
- **A client analytics engine** that links the applications and technology to allow the effective harnessing of centralized data.
- **Client experience applications** that use analytics to support more customized interactions with clients, using real-time information to better coordinate the wealth firm's marketing, sales, and service personnel.

- **Wealth planning:**¹ Investors value holistic advice on how to achieve multiple, often conflicting goals through a range of investment and funding strategies. Across wealth thresholds, client expectations are increasing; they now have greater interest in advice than in buying products. Investors' needs are also expanding beyond traditional investment advice to include more holistic financial- and life-planning offerings. Firms are evolving their performance measures and incentive structures due to the importance of advice-based wealth management, leading to advisors being measured by whether they meet clients' goals rather than beat market benchmarks. Leading wealth managers have invested in developing and training staff on goals-based advisory frameworks and tools, in addition to wealth planning software. With increasing assets under management (AUM) growth targets, firms not only need to revisit their asset management distribution strategy, but also to equip their advisors to meet heightened demands from their clients and regulators. They must also consider the increasing pressure to lower investment fees due to market competition and product commoditization in the wealth industry.

3 Strengthen client relationships through data-driven advice



The long-term relationship between clients and advisors is also changing, becoming less transactional and more like a partnership. Advisors have a great opportunity to strengthen these relationships by stripping any bias from their advice quickly and consistently through advanced data-driven intelligence, thereby becoming trusted partners. This would create options for clients, such as portfolio optimization, that would not be possible without data and advanced intelligence and modelling capabilities.

With the help of various third-party systems, wealth firms are now developing more descriptive and predictive analytics that combine internal and external structured and unstructured data to create more complete, insightful client profiles. This enhanced insight will allow firms to assess the propensity of existing or potential new clients to purchase various products and services, a client's lifetime value, investment style, and risk tolerance.

To date, the industry has identified only some of the benefits these new analytical capabilities could hold.¹

Most WM core processes will be impacted by advanced analytics



Business performance management

- Track business results and key drivers (client segments, advisor books, product penetration, etc.)
- Reveal and track advisors' propensity to adopt various tools and methodologies



Client acquisition

- Leverage internal & external data (social, TP data bases) to create comprehensive **prospect profiles**
- Map relationships and generate **client leads**



Client retention

- Leverage channel and social data to assess client sentiment and **client risk** real time (instead of surveys)
- Leverage external/internal data to understand client interests, connections and personality create best **client/advisor match** to increase connectivity and stickiness



Client sales

- Leverage external data sources to create **Net Worth** and **Share of Wallet** profiles for existing clients
- Measure client's **propensity to purchase** various funds or types of advice
- Assess **client lifetime value**
- Correlate transaction and channel data with market events to reveal **client true risk tolerance**



Client advice

- Leverage client survey and other information to create tailored **portfolio allocations**
- Rebalance portfolios real time and generate real time, **trade/investment ideas** based on client preferences and market events
- Leverage cognitive computing technology to create Q&A capability and provide **person-to-machine advice**



Supervision

- Compare personality and investment profiles with investment/trading activities and client actions to flag **suitability** issues

4 Invest in cybersecurity to combat rising risks

Cybersecurity is one of the biggest challenges facing wealth-tech firms today, with cybersecurity concerns evolving as quickly as the tech innovations themselves and testing best practices in the industry. Meeting cybersecurity requirements and managing security risks must be at the heart of everything.

As the digital channels used by wealth managers become more global, firms' technology platforms must be able to provide secure access to information anytime, anywhere, and on any device. They need to ensure that whatever solution they implement, its associated cyber risks are understood and its safety measures are used across the whole enterprise.

To successfully mitigate these cyber risks, attention and investment needs to be made in both technology and people. That can be done a variety of ways. Employing advanced AI and machine learning to help deflect threats are some of the most common practices, as are adopting cloud-based delivery models that promote greater consistency of controls. Organizations can also start cultivating cyber talent for key roles, such as defender or strategist. Biometric solutions, advocated by many wealth firms and financial institutions, use technology such as voice and face recognition as well as fingerprint and wearable-technology scanning to not only provide an added layer of security, but also customize the experience for the client.

Most crucially, the priority should be on ensuring risk-sensitive assets are at the centre of cyber protection measures. Asking forward-thinking questions about cyber risks is usually the best preparation for the unknowns that are likely on their way.



5 Preparing the workforce to derive more value

Wealth managers are starting to put an equal amount of attention on the human element of a transformation journey in technology. This trend is being spurred by the level of disruption caused by new technologies, new business models, and, most recently, the impact of COVID-19 on workers.

Managers who recognize the need to reskill and upskill their talent will reap the most benefits by not only retaining the existing clients but also attracting new ones. The key questions they need to think about include:

- How do I identify what skills and capabilities my workforce will be required to have?
- How do I foster a culture of lifelong learning so that the emphasis on reskilling and upskilling will be continuously promoted within the firm, by the workers as well as leaders?

We believe wealth-tech firms that will see the best returns will base their skills-enhancement program on a twofold strategy: delivering a blended experience of online learning and a social-experiential apprenticeship and building lasting capabilities through learning based on solving real-world challenges.

This is a time of significant change and disruption in the wealth-tech industry. To stay ahead, firms will need to continually work on their people, process, and technology initiatives. Building for the future will require wealth managers to define strategic choices, surface constraints and gaps, and align their leaders on the ambition to lead the market and the way to do so.

Contact

Kendra Thompson

Partner
National Wealth Management
& Advice Leader
Deloitte Canada
kendrathompson@deloitte.ca
+1 416-867-8344

Acknowledgements

Radhika Bansal

Senior Manager
Large Transformation Leader
Deloitte Canada

Vithal Ketkar

Manager
Wealth Tech Leader
Deloitte Canada

Endnotes

1. Deloitte. Ten Disruptive trends in Wealth Management.
2. Gartner. (2020). Top 10 Wealth Management Technology Trends for 2020.

About Deloitte

Deloitte provides audit and assurance, consulting, financial advisory, risk advisory, tax, and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and service to address clients' most complex business challenges. Deloitte LLP, an Ontario limited liability partnership, is the Canadian member firm of Deloitte Touche Tohmatsu Limited. Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Our global Purpose is making an impact that matters. At Deloitte Canada, that translates into building a better future by accelerating and expanding access to knowledge. We believe we can achieve this Purpose by living our shared values to lead the way, serve with integrity, take care of each other, foster inclusion, and collaborate for measurable impact.

To learn more about Deloitte's approximately 330,000 professionals, over 11,000 of whom are part of the Canadian firm, please connect with us on [LinkedIn](#), [Twitter](#), [Instagram](#), or [Facebook](#).