The Roadmap to Digital Growth: Perspectives from Leading Wealth Managers

The Key Components to Succeed in the Digital Age Based on Interviews with Wealth Management Executives
“Digital will allow clients to select their own engagement model.”

Chief technology officer (CTO), U.S. bank
Foreword

Digitalization has crept into the mindsets of the leading wealth management firms across the world. Firms are realizing that the Digital Age has arrived and that it will have far-reaching implications for their businesses. The market understands, largely, that digitalization is a must if firms want to stay relevant and ahead of their competitors. Indeed, as the world becomes increasingly digital, customers will not accept outdated wealth managers.

The need for digitally enabled business models in financial services has mostly focused on clients and the client experience, but digitalization has much broader applications across the industry. For the leading wealth management firms, the expenditure of time, energy and resources in the digital transformation must reshape three pillars of their businesses:

**Client-centricity**
Bringing clients into the center of the business model by giving them the choice of how and when they interact with a business and further personalizing their interaction based on their needs and desires.

**Advisor empowerment**
Giving advisors the tools to realize business goals through client collaboration and service offerings that are customized to clients’ needs.

**Business efficiency**
Reducing time and cost requirements by streamlining systems, automating workflows, maintaining compliance and reducing manual interventions.

It’s clear that the choice is no longer whether to digitalize, but how. Organizations that might have similarities in structures, needs and desired outcomes each need to establish their own visions and roadmaps. What, in the end, do they want to achieve from digital, and what are the steps to get there?

With these questions in mind, the objectives of this leadership paper are to identify challenges wealth management firms face on their digitalization journey, to focus on the components of digitalization in the wealth management industry and to reveal the long-term goals of these firms based on the insights gained through continuous and multilayered efforts at business change.

**Methodology**
The research in this paper is based on Aite Group meetings and telephone conversations with 17 senior strategy and technology executives from 15 of the world’s leading wealth management organizations in North America, Western Europe and Asia. The aggregated output is backed by Aite Group’s existing knowledge and research into this topic.
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Executive Summary

The Roadmap to Digital Growth: Perspectives from Leading Wealth Managers is a leadership paper focused on the digitalization of the wealth management industry in North America, Western Europe and Asia. The paper, commissioned by Appway and produced by Aite Group, offers clear learnings on where business leaders in this sector must focus to successfully build a digital wealth management business.

The key takeaways from this study follow:
We interviewed 17 executives from leading wealth management firms. Each recognized the need for digitalization in some form and confirmed that their businesses have a digital strategy in place. They remain in the early stages of this process, but they plan to implement several digital initiatives over the next three years.

The path to growth through digitalization is continuous, and firms are facing challenges in moving forward by embedding a “digital mindset” into their business models. These hurdles include organizational legacies, complexity and inertia, cost pressures and access to talent and knowledge. Overcoming these hurdles, however, will be fundamental to their success.

“Digitalization is about the end-to-end design thinking. The complete picture. How can we make it more efficient for the client, the advisor and the bank?”
Technology executive, global bank

Digitalization requires two core components:
The base layer includes business foundations, such as vision, strategy and leadership, and technical elements, such as a standardized technical infrastructure, data management and an integration framework.

The delivery layer emphasizes elements that support the client-advisor relationship, such as client relationship management (CRM) and advisor workstations.

Once the core components are in place, they will then need to employ automation in areas such as investing, advisory, financial planning and data analytics.

To grow, firms need to define desired outcomes for multiple channels and set realistic milestones to provide clients with positive user experiences, harness technology that empowers advisors to better serve customers and automate processes for more efficient and compliant business practices.

“We have had to change. We tried a global approach, but it did not work, so we empowered the regions.”
Technology executive, global bank

There is no precise digitalization roadmap for the wealth management sector. The journey is particular to each business and is defined by the organization’s current priorities, values, goals and technological capabilities.
Setting Course for Digitalization

Over the last several years, the world’s leading wealth managers have realized they have no choice but to set sail on their individual journeys to digitalize broad aspects of their operations. At the end of 2015, Aite Group published survey findings from a sample of 36 wealth management executives on aspects of their digital strategies. Seventy-five percent expect to finalize the first implementation of their digital strategies in 2016, 2017 or 2018 (Figure 1). The conversations for this paper confirm that they are now in the midst of digitalizing, and, if they haven’t already, will be rolling out initiatives consistently in the coming years.

While the market is certain its future involves digital, the roadmap remains one of discovery, and the steps on that journey remain open. No one knows what these businesses will look like in the future, but they are guided by a roadmap that prioritizes and focuses their route. Nevertheless, it remains abundantly clear that these businesses are adapting to a new environment. They are also learning that the journey is an evolution that incorporates change and an openness to ongoing review.

The Goals of Digitalization

Digitalization opens doors to a wide breadth of opportunities, but, although there are some fantastical long-term ideas of where the market is headed, firms remain focused on the possible over the hopeful. In entering into this new world, they are concentrating on evolving their current business model through digitalization rather than razing and rebuilding it through revolution.

Breadth

When discussing this theme with wealth management firms, our interviewees frequently mention that they have clearly defined goals for digitalization across each of the three pillars of their business models—clients, advisors and business. This breadth of scope helps explain why firms are treading carefully. These are long-standing, complex businesses entering into a new domain. The 2015 survey cited above also confirms this breadth in application.

End Goal: Growth

Ultimately, growth is their primary reason for change (Figure 2). Getting there, however, is a question of which steps they will take. Based on our conversations with these executives, we have separated the ultimate goal of growth into the three channels of client, advisor and business. Through further analysis, we have defined a set of subgoals that promote growth (e.g., being relevant to the client and empowering the advisor).

Figure 1: Expected Implementation Year of Digital Strategy

When do you anticipate that your firm will finalize the implementation of its digital wealth management plan?
Core Challenges

Even though evolution is the chosen route, the goals of these businesses are not quick wins due to a range of challenges. These firms are faced with multiple barriers to change, including the following: Yet these remain complex global businesses that are charging into unfamiliar territory. While they may see great opportunities in front of them, they also face significant difficulties that are not easily overcome.
Organizational legacy
Firms face a diverse set of legacy issues, such as complex infrastructures, business processes, company culture, leadership and talent.

Organizational complexity
Multiple silos have competing interests, like internal structure, geographic coverage, products, services and client bases.

Organizational inertia
Large organizations often move slowly. Long-standing development methods are ill-suited to digital progress, and change is slow.

Cost pressures
There is constant pressure to cut or control costs. This is a plus for digital, as digitalization can reduce costs, but it’s also a challenge, as digitalization is new.

Talent and knowledge
These are not digital-native organizations. They have to adapt from a technical, generational and cultural perspective.

Inside-out to outside-in
They often remain driven by an internally led view, the inside-out model. The new model is outside-in—truly engaging the client.

“A major challenge of progress in a big bank is departmentalization. Everyone has a different agenda.”
Technology executive, global bank
The main goals and challenges to digitalization have been identified, but what is the path forward?

Change cannot be cosmetic. Wealth management firms will not deliver by building an attractive website or simply plugging in a solution. The opportunities and challenges they face run deep, impacting the core of their business. The digital journey is therefore significant, ongoing and intense. The process must be built on a core set of components that considers the heart of the business. Our interactions with these executives lead us to consider the following components as the building blocks of digitalization.

The Components of Digitalization

Business Foundations

At the heart of this journey for firms is a set of fundamental components, without which these businesses would run the risk of greater cost, wasted time and, ultimately, failure. These components are the foundation upon which wealth managers can deliver on their digital goals.

Vision
Leaders at wealth management organizations must be convinced that digital is the necessary route and then embed that message throughout their businesses.

Strategy
Vision must be backed by a strategy. Each of the wealth management businesses engaged in this research has a detailed digital strategy and roadmap.

Leadership and buy-in
The strategy must be led from the top of the organization. These leaders must drive the effort forward and hold themselves accountable. They must also foster buy-in across the firm.

Digital methodology
Wealth managers need to adapt to new development methods like smaller teams, smaller and faster projects, more review stages, a willingness to accept failure, managing digital as a business project, etc. These are a series of smaller projects that contribute to a greater whole.

“We have been blessed by very strong leadership. They are still pushing us for developments.”
Technology executive, global bank

Culture, learning and communication
Firms must commit to new ways of doing business as well as new sources of knowledge and learning, and they need to advocate this throughout the business. They also need to engage with a broader range of third parties who understand digital.

Client insight and engagement
Firms must check in with clients frequently and in a structured way if they are to be as client-centric as they wish.

Technical Foundations

From our conversations, we’ve identified a second layer of technical foundational components that are key to this journey (Figure 3):

Standardized technical infrastructure
Respondents were almost universal in identifying a standardized technical infrastructure as a core. A complex system architecture, built to outdated rules, silos and business needs is ill-equipped to deliver digitally. These businesses either already have focused or are now focusing huge efforts on standardizing these legacies by running complete system replacement or rationalization initiatives, whereby the setup is renovated and streamlined.
Effective data management
The second core aspect is high-quality data management. The digital journey is forcing firms to deeply evaluate their data management capabilities in pursuit of a well-structured, well-governed and consolidated data source. Data is core to delivering many of digital’s goals—the right data at the right time, to the right user.

Flexible integration layer
These businesses then need a flexible integration. This is a lasso, formed of application program interfaces, that engages the back end to serve up to the digital front end. The layer allows the front end to pull the relevant data as needed regardless of back-end systems’ organization.

User experience layer
Finally, there is the user experience and usability of the complete digital environment. The user experience layer is fundamental for driving digital engagement across the organization and all user groups. Technical tools and a clear strategy will not deliver their value if the design thinking and user experience are poor.

These components, according to our executives, form the core of any large wealth management firm’s pursuit of digitalization. Their businesses are heavily engaged in one or more of these areas, and those that have delivered on some aspects stress the substantial benefits they believe will come from their company’s efforts. It is these steps that start to deliver value to the organization.

“If you don’t have one platform, there is constant interfacing and always the risk of inconsistencies.”

Technology executive, global bank

Better use of data will result in new wealth management investment strategies such as better ways to utilize assets.”

Executive, U.S. bank

The Delivery Layer: Functional Components
If the foundational components deliver value to the business, the delivery layer components deliver value to clients and advisors. Wealth management organizations can build their digital toolkit’s functional elements on top of the core.

Figure 3: The Business and Technical Components of Digitalization
The potential applications of this layer are broad, as suggested in our discussions with the executives. There is also no specific order to their delivery. Rather, what these wealth managers add to their environments is dependent on the following:

Their organizations’ current business and technological status may have specific technical pain points in the existing infrastructure, which would dictate focus.

Their businesses’ needs, which are either reinforced or offset by their values and strategic roadmap. If the focus is client experience above business efficiency, it will lead the firm in that direction.

**Functional Component: Options and Current Focus**

We’ve highlighted the main functional components that were discussed with the executives (Figure 4). Although it’s not an exhaustive list, it covers the leading application areas as well as the firms’ priorities (shaded). In essence, these are components that directly impact the client and the client experience, the client-advisor relationship and the increased desire for collaboration between the client and the advisor. This emphasis has therefore pointed these organizations to implement digitalized tools for CRM, communication, client onboarding, advisor workstations, client reporting, trading and transactions.

There are several points to note about the focus and strategic developments of these functional components. Above all, however, firms are looking for simplicity.

**Integration**

Firms are standardizing the infrastructure that supports this component layer. They want solutions that easily integrate into their environment and established systems.

**Multifunctional**

Although Figure 4 identifies 14 individual functional components, these organizations are not looking to build a separate tool for each. The new architecture requires multifunctional components, with CRM integrated into communication tools, client reporting into portfolio management, etc.

**Flexibility**

Furthermore, a vital aspect of these components is their ability to serve all three channels—client, advisor and business. This connectivity across user groups allows wealth management firms to establish the building blocks of growth and to deliver greater value by conveying relevance to the client, empowering the advisor and reducing costs for the business. The more these businesses can solve multiple challenges with one system or investment, the stronger the push toward meeting their goals.

*Figure 4: The Functional Components of Digitalization*
The points below provide more background to these themes:

**Advisor workstations and client portals**
These tools provide clients and advisors the choice of how and when to interface with one another. In a single, consolidated environment (portal), the advisor can access the client's online activities and also influence what information the client is presented with. In addition, these portals increasingly facilitate client-advisor collaboration with a variety of built-in communication tools.

**Client onboarding**
For a long time, client onboarding was a major pain point. Now it's becoming increasingly automated and digitally enabled, saving time for clients, advisors and businesses alike. Clients benefit because their information is stored and reused, the administrative load for advisors is reduced and the business saves money through improved client and advisor experiences and enhanced regulatory and compliance processes.

**Client reporting**
The wealth management sector has moved beyond its static, periodic and paper-based reporting methodology to one that is accessible and personalized based on quality data in real time. For instance, reports might reflect the progress made toward achieving a client's financial goals. This level of detail and access creates a dialogue that will be integrated into tools such as advisor workstations and client portals.

**Communication tools**
To facilitate client-advisor collaboration, firms are incorporating various communication tools into their offerings, such as chat and video calling. These new channels can also be used to push relevant content, like sending a chat message with information about topics relevant to the client.

**Functional Component: Future Focus**
Digitalization is a continuous evolution, and the executives we spoke to intend to add further functional components to build out their digital toolkits.

Looking into the medium-term future, some of the components the executives cited as potential additions to their digital lineup include the following:

**Artificial intelligence and machine learning**
Firms are examining the application of artificial intelligence and machine learning. In some cases, these capabilities are already allowing firms to scan huge data sets and employ the insights they gather to deliver investment advice, recommendations and related research. The mix of structured and unstructured data across a broad range of sources (investment markets, client preferences, social media and so on) will enable wealth managers to deliver data-enabled, personalized offerings.

**Avatars and chat-bots**
To scale their businesses, wealth managers are considering components like avatars and chat-bots to interact with clients during their initial engagement. This frees up advisors from basic administrative tasks so that they can concentrate on offering value-added services to a greater number of clients.

**Robo-automation**
Although there is much focus on automated investment (robo-advice), wealth management firms are looking to take the principles of automation and apply them to other areas. These include compliance processes, such as data gathering and approvals; simulated reasoning to support routine client functions, such as trading, fraud reduction and alerts; and content curation by leveraging tools such as social media.

There is great potential for growth with these new and engaging components. Businesses that deliver on the foundational components, however, will be in the best position to add any or all of these functional components.
The Outcomes of Digitalization

These businesses have planned their roadmaps and have thoroughly considered the building blocks they need to achieve their goals. In this context, let’s examine the three channels of client, advisor and business to see how the components of digitalization will deliver appropriate outcomes.

Client
For the client, we can identify three outcomes:

Omnichannel consistency
Existing and prospective clients increasingly expect more means to engage, collaborate and work with their wealth management firms. They want omnichannel access. Whether the client prefers interactions to be face-to-face, by phone, email, chat, video or via the web on his or her mobile device or desktop, businesses need to deliver. Additionally, the experience must be consistent regardless of the channel and allow clients to determine their preferences.

Empowerment
In addition to multiple access points, businesses are actively seeking to empower clients by delivering tools within the digital environment. This includes portfolio views, reporting and communication tools and trading and transactional capabilities as well as access to research and investment ideas. Wealth managers realize that clients increasingly want autonomy in managing their finances.

Personalization
To be relevant to their clients, these executives recognize the critical need to deliver more personalized offerings. This requires many elements of the components identified earlier, such as a core data strategy and the use of communication and reporting tools for portfolio insights. It’s clear that wealth management firms need to be better at collecting, analyzing and using data to add personalization to the client experience.

“The client relationship is the heart of the business. We need to better support that with a multi-channel approach.”
Technology executive, global bank

Advisor
For the advisor, we have three significant outcomes:

Productivity
For these businesses, digital transformation is clearly about empowering what they still regard as their most valuable internal asset—the advisor. The focus on efficiency supports a more productive advisor, freeing time to focus on revenue-generating activities with clients as well as time to win new clients. Across the advisor’s day-to-day work, digital solutions are already supporting account opening, marketing and prospecting, portfolio management, investment and financial advice, client communications and collaboration, regulatory processes and more. Ultimately, the advisor will remain at the center of the proposition, and firms want to strengthen their greatest asset.

“Our digital strategy is focused on bringing this information together into one place so clients can see it all at once.”
CTO, U.S. bank

“The goal is to put the relationship manager at the center of the client experience.”
CTO, U.S. bank
New products and services
With a more streamlined operating infrastructure, these businesses are confident that they can bring to market new products and solutions more quickly to meet their clients’ expectations. Automated investment and advice are excellent examples of this, but mobile and web-based banking applications can also deliver new, relevant product suggestions to clients.

Reach and access
Digitalization will also permit wealth managers to penetrate new markets, including access to new geographies, more product and service areas and younger generations. For example, firms have developed communities and social networks for their clients, which is far easier and less expensive to do digitally than offline.

“\textbf{We are in the process of putting operations teams together to ensure data stewardship.}”

CTO, U.S. bank

Responsiveness
With tools being developed for the client like never before, the client is empowered to take a greater role in different aspects of the client-advisor relationship. The advisor may feel some loss of control from these developments, but in actuality, digital tools like the advisor workstation allow them to more readily respond to the needs and wishes of their clients.

Intelligence
Advisors will also have better tools to direct and scale their outreach and engagement, both with existing and prospective clients. By employing artificial intelligence and machine learning, they can more easily identify, create, track and pursue specific opportunities. New systems will continuously crunch huge sets of information to match products and investment ideas with relevant clients, all with automated compliance rules.

Business
For business, we have four clear outcomes:

Streamlining and automation
A major reason wealth management companies embark on their digitalization journey is to achieve greater efficiency by streamlining lengthy, diverse and overly complex processes and by automating as much as they can. These organizations are replacing their core banking systems or renovating these systems, redesigning their data management setup and replacing manually intensive tasks (such as fact finding and client onboarding) with digitalized solutions and processes. These efforts are aimed at creating more adaptive and less costly organizations.
Collaborative relationships
As firms deliver digitalized solutions to their clients and advisors, they are forging a path to greater engagement and collaboration. When advisors and clients jointly view portfolios online or together on a tablet using an app built by the firm, they can share personalized recommendations. This collaboration, it’s hoped, will forge closer relationships, create more business opportunities and attract more clients.

The market is changing and will continuously do so in the Digital Age. If financial services can harness technology to produce the outcomes mentioned above, wealth management firms will be able to meet the needs of the growing market.

“To evolve to the expectations of the next generation of clients, the bank must adapt.”
Technology executive, global bank
Action Points: Five Priorities for Executives to Digitalize

From this, what are the actions wealth management organizations need to take? What must an executive tasked with digitalizing the business do? We highlight five priorities for a successful journey toward digitalization:

**Vision and leadership**
Wealth management business leaders must establish a digital vision, lead it and be accountable for its design, build and delivery. It must start from the top and trickle down.

**Design**
At its core, it must be an end-to-end design that reaches all aspects of the business.

**Flexibility**
The vision and strategy constitute the roadmap for delivery, which acts as a guide. It must remain flexible and open to change based on new ideas and opportunities. Digitalization is agile and fast-changing, not set in stone.

**Exploration and connectivity**
To deliver, wealth managers must explore new ideas, thinking and channels. Firms must seek client feedback as well as input from new partners, such as fintech companies. The keys to digitalization are not exclusively internal.

**Engagement**
Wealth management firms will not achieve success by simply switching on a digital solution. Success in the Digital Age will be based on the systematic application of the digital toolkit and mindset. Wealth management organizations must truly engage.

“We bring in the talent that has the necessary experience. If we can’t hire them, we access them through partners.”

Technology executive, global bank

“We are in constant dialogue with fintechs.”

Technology executive, global bank

The client has taken center stage and is now empowered and expectant. Digitalization is a means for firms to meet their clients’ needs, enable their advisors to do more, bring efficiency to their business and, ultimately, to deliver sustainable business growth. These steps will help to fortify any wealth management organization to achieve all of these goals during its digital evolution.
Conclusion

Digitalization of the wealth management industry is here to stay. Many firms are responding and have their roadmaps in place, but remain in the early stages of their digitalization journeys. The leaders among these organizations will be well-positioned in the coming years, but they must remain flexible to new ideas and opportunities.

“The classic way we work is not adapted to digital development. We have had to change. Smaller teams, smaller projects, allowed to fail, more agile.”

Strategy executive, global bank

Digitalization is an incredible opportunity for these businesses to differentiate themselves by empowering clients and advisors, improving their business models and driving innovation. But they will not be able to deliver on any of these goals without first putting the building blocks in place. Without elements such as standardized infrastructure and data platforms, the business will face roadblocks to digitalization.

Digitalization is not isolated to specific use cases or business units but is a framework that can be applied across the organization. This end-to-end process must incorporate wide aspects of the business, not just solitary units, processes or solutions. A successful digital wealth management organization will be customized to the needs of clients, advisors and the business.

The process of digitalization is a constant evolution. Firms must be willing to listen, learn and become agile; thus, they must be open to new business and development methods as well as delivery and review time frames. A digitalized wealth management organization should expect to continuously develop, release, re-develop and re-release.

For the client, now truly at the heart of the business model, digitalization is about choice and engagement. The client can choose to be serviced as before by the organization, choose to work collaboratively with the advisor and organization, or choose self-service using the delivered tools. Digital tools will create a more client-centric offering.

For the advisor, digital tools empower and deliver quality. With more engaged clients, the advisor needs to be able to add additional value. Digital tools will relieve the burden of some administrative tasks and allow the advisor greater opportunities to serve and win clients.

For the business, digital presents opportunities to not only standardize and bring efficiencies to internal systems and processes, but also to grow like never before. The business and use cases are abundant and significant. Without a doubt, the future involves digital, so these organizations must engage soon or run the risk of being left behind.

“The main goal is to have more intense and frequent collaboration between the client and the advisor.”

Technology executive, private bank
About

Aite Group is an independent research and advisory firm focused on business, technology, and regulatory issues and their impact on the financial services industry. With expertise in banking, payments, securities & investments, and insurance, Aite Group’s analysts deliver comprehensive, actionable advice to key market participants in financial services. Headquartered in Boston with a presence in Chicago, New York, San Francisco, London, and Milan, Aite Group works with its clients as a partner, advisor, and catalyst, challenging their basic assumptions and ensuring they remain at the forefront of industry trends.

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Appway

In an era of increasing competition and regulations, Appway, the leader in global client onboarding, promotes collective intelligence and enables businesses to reinvent for the Digital Age. With its seamless orchestration of people, knowledge, and systems, Appway enables 4 of the top 5 wealth management institutions to develop and operate scalable and reliable digital enterprise applications.

Headquartered in Zurich with offices in Geneva, Ticino, New York, Toronto, Hong Kong, Singapore, and London, Appway and its award-winning technology serve over 165 service institutions and 420,000 individuals worldwide.

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The Appway Platform empowers organizations to move beyond automation toward ongoing digital transformation. With its seamless orchestration of people, knowledge, and systems, Appway promotes collective intelligence and enables businesses to reinvent for the Digital Age.

Appway Onboarding ensures full compliance throughout the entire client lifecycle. Whether operating globally or locally, Appway Onboarding comes with all relevant financial regulations out-of-the-box: KYC, FATCA, AML, TAX, Suitability, MiFID, Dodd Frank, DOL, PEP, DOL Fiduciary, and much more.

Digital Banking is all about conversion. Appway Digital Banking is a set of Business Components that lets you build and continuously adapt your business model to Attract, Convert, and Grow prospects, leads, and clients.