Going for growth

Automating the client lifecycle

An Iress and Compeer report

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Introduction

Every wealth management business wants to grow - sustainably, scalably, effortlessly. In an industry that has access to some of the best technology, it should be simple, but it's not. A lot of businesses use a lot of software but it isn't joined up and it's making growth - and daily life - difficult.

- Firms want to attract new business and scale up but can't efficiently service their existing clients.
- They are producing more data than ever but aren't able to do enough with it to make the right decisions.
- New technology lets work happen faster, wherever we are, but front office teams are still too busy to add real value to the client experience.

This report is a direct insight into the dilemmas facing wealth management firms in their quest for scalable growth over the next five years and beyond.

We asked some of the UK's leading wealth managers, small and large:

- What will stop them from achieving their growth objectives?
- How productive and efficient are they really?
- How successfully are they managing the client lifecycle?
- Ultimately, are they meeting client expectations?

And we identify six key areas we believe wealth management firms must address.

This report is for every wealth management business that wants to stop compromising on business performance and start optimising for growth.

About this reseach

This report was commissioned by Iress and conducted by Compeer.

The findings are based on face-to-face interviews and online questionnaire responses conducted with UK Wealth Management firms, including Private Banks, Investment Managers and Full Service Wealth Managers. The participants range from the smaller players in the market with around £1bn of managed assets to much larger and more established firms looking after more than £30bn of private client investments.

Responses are anonymised to protect the data of the participants.

1. The quest for scalable growth

How do you grow when disjointed systems are holding you back?

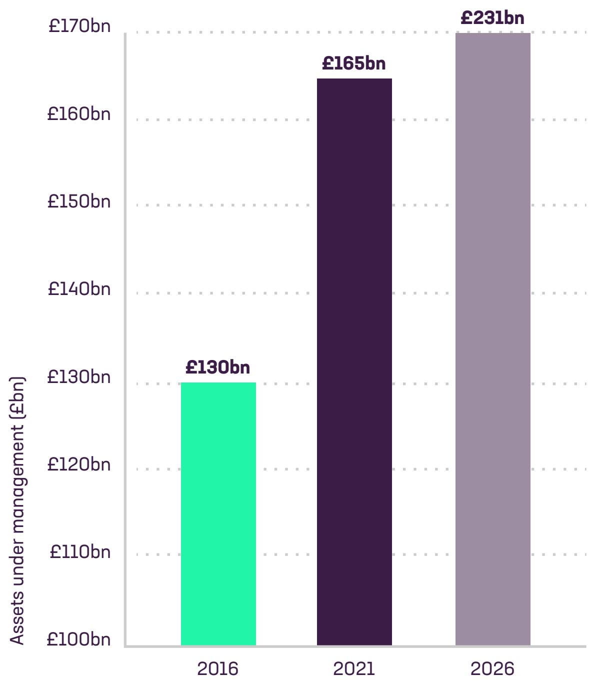
The next five years

Every wealth management business has high ambitions for growth.

The firms we spoke to for this research manage a combined £165bn worth of assets. Over the last five years, these firms have managed to achieve a growth rate of 27.4% and aim to continue this growth over the next five years, hoping to reach a combined £231bn by 2026, a growth rate of 39.8%.

Given the highly volatile markets, substantial change in working conditions and continued concerns linked to the pandemic, these growth targets may be tough to achieve.

AuM research participants



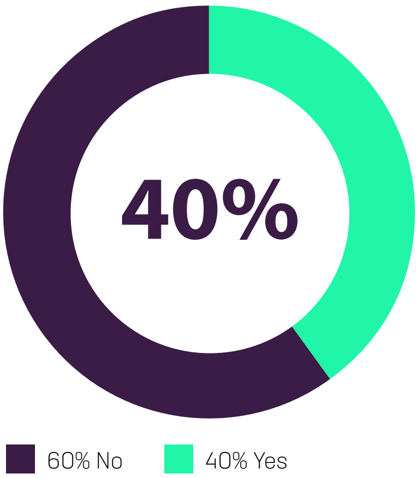
How can wealth managers achieve their growth targets?

Every firm we spoke to agreed achieving that growth would be down to having a sound digital strategy and two things:

- More efficient and productive workflows
- A better client experience

Yet only 40% of those firms believe they can support their growth targets with the current technology they have in place. That means a large majority need to urgently upgrade or replace their current systems if they are to achieve sustainable and scalable growth and keep up with those that can.

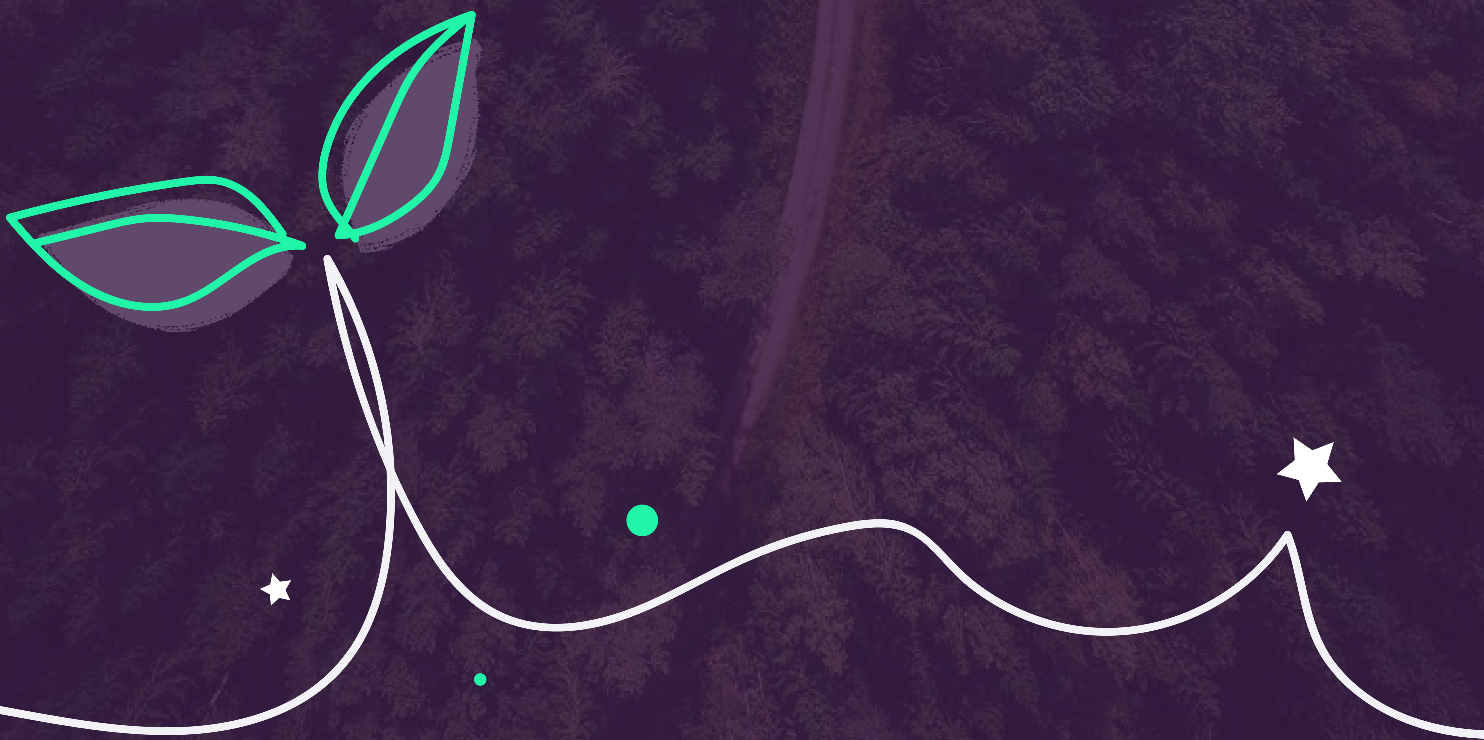
Can your current technology support your growth targets?



"Only 40% of firms believe they can support their growth targets with the current technology they have in place."

2. Productivity and efficiency in workflows

How do you increase front office efficiency to support the growing CLM workload as the firm scales up?



How productive are wealth managers today?

If wealth managers want more efficient and productive CLM workflows to support their growth objectives, they need more structured, better organised internal systems that enable client data to flow.

However, finding or building a system that is fit for its purpose - and ensuring the system can seamlessly integrate with the other systems and technology in the business - is one of the industry's biggest challenges.

When we asked about the level of integration across front, middle, and back-office systems, most firms said their systems are integrated to a certain degree, but aren't what you'd call "fully integrated".

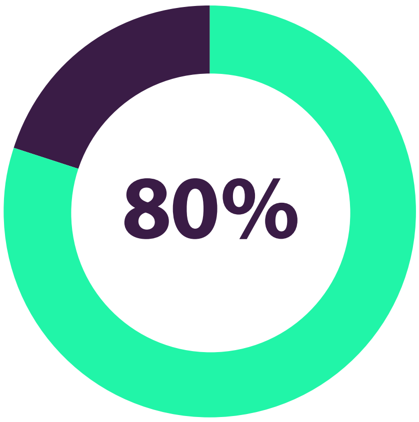
"I wouldn't be telling the truth if I said it was fully integrated; manual intervention is still required."

When discussing how this affects front office productivity, most firms admit they are not operating at maximum capacity - a sign of poor system design which is complicating daily tasks for front office staff.

The more successful wealth management firms are making life simpler for front office staff by embedding multiple systems behind one user interface. These firms are benefiting from:

- A single view of the client
- Systems working in unison
- Minimal manual inputs
- Time savings
- Less risk of errors

On average, front office staff are working at 80% capacity.



"73% of wealth management firms have a designated data strategy in place."

Why is data still a problem for wealth management?

Wealth management firms recognise they need to become more proactive than reactive when it comes to data. While some are building teams specifically to tackle data and the client experience, others are less on top of their data strategy than they would like to be.

Disorganised data is a massive administrative burden for wealth managers, causing a variety of problems which firms are struggling with daily:

- Limited front office productivity
- Inefficiencies across the business
- Reduced adviser productivity
- Siloed information
- Raised risk of information loss
- Higher levels of client attrition

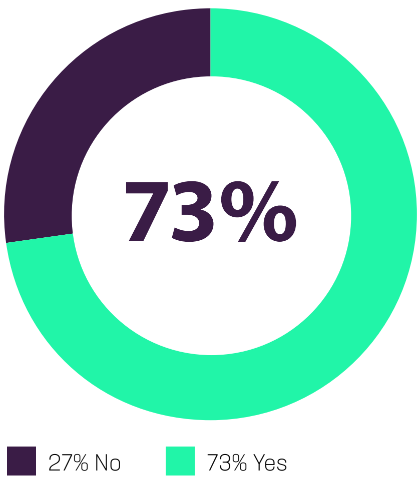
The more innovative firms have developed a model that captures client data only once, re-uses and shares the information between a network of systems linked together with API's

Legacy systems, disjointed databases, and a lack of automation are making it difficult for wealth managers to organise data for analysis and further automation.

With the right CRM system in place, firms can store client data in the form of phone calls and emails automatically attached to the client's record. This will take front office staff closer to having a single view of the client - the ability to analyse a snapshot of the client's lifecycle in one place instead of having to draw data from various systems manually.

The main target for most wealth management firms will be improving the CRM system to support increased workload and increase the operational efficiency of the front office as the firm scales up.

Does your firm have a designated data strategy in place?



3. Enhancing the client lifecycle

How do you scale up without affecting service quality?

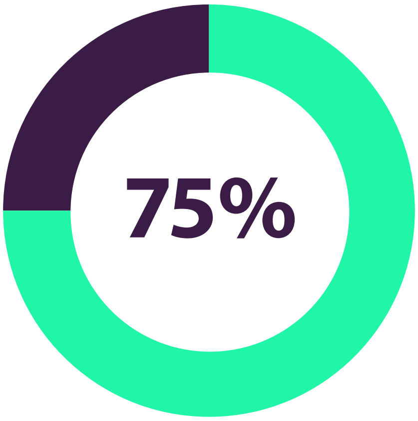
Are wealth managers meeting clients' expectations?

Three-quarters of wealth management firms rated their digital service as 'in line with our main competitors'. All said that technology could improve their quality of service.

Clearly there's an opportunity for firms to use technology to deliver a customer experience that exceeds that of their competitors.

So how successfully do wealth managers think they are meeting client expectations currently?

How do rate your firm's ability in meeting the current expectations of clients in digital services?



In line with our main competitors

Do you believe technology can be used to improve the quality of service provided by wealth management firms?

100% Yes

Client service strengths - as rated by the firms

Client data	Meeting client expectations relies heavily on high-quality data. To ensure they are developing their services in line with client expectations, firms must have high quality and reliable data on their client's preferences and expectations. Firms explained how regularly surveying their clients and discussing issues in client meetings allows them to judge the sentiment among their client base and address the most concerning issues. By collecting ongoing feedback and data from their client app or portal (instead of a static questionnaire), firms can improve their services all year round.
Digital services for clients	The focus is on improving the client experience through investment in technology and digital services, making the client's life easier. Technology is increasing the flow of information, whether enabling a client to view their portfolio and their latest report or as a way to contact their investment manager. Firms differ in their desire to develop self-service capabilities. Some firms acknowledge this demand from their clients; others appreciate their clients are less willing to see these features in their offering.
Digital communication	Providing high quality, bespoke service relies on a consistent and open communication channel between the client and their adviser. During the pandemic, firms have maintained and, in many cases, improved the flow of communication using video conferencing to talk to clients while sending regular portfolio updates through their portals. Beyond the pandemic, these systems will be used in tandem with face to face meetings to find the optimal balance that provides the client with the right amount of attention they need all year round.
Reporting	Automating the client reporting process has dramatically improved the efficiency of a clunky and time-consuming process. Firms are now securely providing regular high quality updates to their clients while streamlining internal processes by sending client reports digitally. Digital reports also means clients have better access to the information than paper copies which can be easily misplaced. And, for the firms that enable it, clients can co-browse their portfolio during meetings with their adviser.

Regulatory requirements	The level of regulation in wealth management has been continually rising. Although designed to protect the end investor and enhance service quality, it can often impede technological development. Firms describe the current level of regulation as "unceasing" and expect it to continue at the same pace. When it comes to developing straight-through processing, rules act as a barrier. Also, the ongoing monitoring process required to ensure compliance becomes a burden on time and resources better spent elsewhere.
Low uptake of digital services	"You can take a horse to water, but you can't make it drink." Firms understand that not all of their clients want to use technology and digital services. Many older clients may not desire to use these services or even have an email to access them. Therefore, firms must be patient and actively encourage clients to use these services through product demonstrations. It is common for usage rates of around 20%-30% of clients. While firms aim to increase this, the pandemic has certainly helped demonstrate the value to clients.
e-Signatures	Moving towards a more automated and digital offering requires all aspects to go digital. The requirement for documents to be signed by hand is a pain point for many firms. To provide not only a faster but more secure service, all of the firms we spoke to are looking into incorporating some form of e-signature capabilities within their services to overcome this hurdle and take a big step in becoming paperless.
Connectivity across business units	For the larger firms, having siloed data is becoming increasingly counterproductive. Firms that offer multiple services across wealth management and financial planning cannot consistently detect among existing clients who may benefit from other services provided by the firm. As financial planning is becoming more developed in house, firms would like to communicate between business units and refer clients to other services they can offer.

Where is automation making a difference?

To benefit staff daily, automation must streamline processes and increase operational efficiency, providing a platform from which firms can develop higher-quality digital services to offer their clients.

Ultimately, automation should focus on a firm's key pain points. We explored two key areas where automation is being used in more detail with the research participants.

1. Client reporting

As one key area where wealth managers are seeing the most benefits from automation, we asked firms how they have made a success of it and where further progress needs to be made.

"Our reporting is dramatically quicker than 18 months ago."

Every firm we spoke to explained how they have successfully automated large sections of the quarterly reporting process in response to MiFID II. Generating and distributing these reports automatically has given front office professionals more time to manage client relationships, and improved consistency and quality. Some firms maintain a bespoke feel by allowing front office staff to manually edit and tailor reports. While discussing how to maintain a bespoke feel alongside automation, some firms offer clients the ability to request a report at any time throughout the year. The right systems draw the data from the CRM with ease. Not all firms can facilitate this, and of those who do, only a small section of clients currently use this function.

"We send out all client reports electronically - it's been a huge productivity boost given the COVID crisis."

However, regulation is holding further progress back, much to the frustration of wealth managers.

Static reports vs real-time updates

While the quarterly reporting requirements are set up to benefit the end client, some firms argue it has fallen short of this goal. The requirement to send out quarterly reports has taken up valuable time which could have been spent delivering other services.

A significant flaw pointed out by firms in the current system is that it's based on static valuations. Once the client receives this information, the information it's based on can already be 3-4 weeks old.

Instead of static reports, firms would prefer to offer clients on-demand updates and access to real-time updates on their portfolio via a portal or app. Alongside this, they would like their front office staff to contact their clients on a more regular basis to provide a higher level of communication all year round.

"We believe reporting should move away from the static valuations and move towards a real-time update, available all year round. The regulation is currently holding service quality back."

2. Client onboarding

The lack of integration between systems is causing the industry a significant amount of stress, particularly in the onboarding process. As firms' digital efforts focus more on their data strategy, many see the onboarding process as the first step in creating a solid and effective data management system on which to build all digital aspects of the client journey. We expect levels of automation to quickly rise as firms look to target this common pain point.

While many firms have achieved a high standard across the onboarding process, so far only a small minority of firms have successfully created a single, straight-through onboarding process. By delivering this 'holy grail' onboarding experience, firms can demonstrate their digital capabilities at the first point of contact to clients and build a scalable foundation for growth.

"The work we have done around client onboarding is making our growth more scalable."

Speeding up (and scaling up) onboarding

Speed is often a measure of a successful onboarding process. Unlike other financial services sectors where onboarding can be close to instant, the wealth management onboarding process is often tedious and drawn out. Interviews show vast disparities between the speed at which firms can onboard a typical client.

Quickest
1-2 Days

Average
1-2 Weeks

Slowest
2-3 Months

Firms with well-structured workflows onboard within 1-2 days.

Firms with a predominantly manual onboarding process struggle to organise the data quickly, and are taking weeks or months.

"If the documentation is in the right place, it can take two days."

"The process can be as fast as 2-3 days and as long as 20 days."

"Onboarding takes around two months on average but needs to be improved."

Automating the collection and storage of client data is a driving factor for a speedy onboarding process and ensures the quality of the data firms collect is up to standard from day one.

Is automating the onboarding process worth the effort?

One issue holding back further investment into onboarding is that clients only get onboarded once. While a fully automated service may be "nice to have", other areas of service with more day-to-day impact are higher on the priority list.

Firms also see their efforts to increase the speed of onboarding counteracted by factors outside of their control, such as a slow asset transfer. Often the previous provider has very little urgency to offload the assets adding additional weeks to the process, much to the annoyance of the clients and the firms onboarding them.

But the real benefits of improving the onboarding process come in data management and organisation and enhancing productivity for the front office staff. Storing the data efficiently and feeding it into the firm's CRM system builds the foundation for developing more productive processes.

Opportunities to automate the client lifecycle

Which elements of the client lifecycle would benefit from further automation and investment? We asked firms to rate key areas of the client lifecycle where automation stands to increase service quality. Each factor is rated out of 5, where a score of 5 means it is crucial to automate this function.

Area of service	Value of automation	How crucial is it to automate this function? Advisers' rating out of 5
Sourcing new clients	Automated by very few firms. Room for digital to play a part but most firms prefer a personalised approach.	2.5
Onboarding	The first significant step of the client lifecycle, a smooth onboarding process can start the client relationship on a positive footing and is a chance for the firm to capture and manage data fed automatically into their CRM systems. Stands to gain the most benefit from automation and is getting the most attention in firms' digital strategies.	4.3
Preparation for client meetings	Automatically creating data packs for clients ahead of meetings will save time and enhance the value of the meeting. Firms currently have a highly automated process that generates very standardised reports for their clients, with relationship managers responsible for tailoring them.	3.6
Delivery of client meetings	Firms agree these should be completed face to face where possible. Without technology, firms feel they can provide higher quality and more personal service when meeting clients, although technology has played a significant role in delivering client meetings during lockdown. Some firms are looking into technology to allow the client to log in and browse their portfolio alongside the relationship manager during the meeting.	2.2
Provision of advice	Many feel this should not be heavily automated. Some firms would like to introduce more advanced analytics to understand their clients' needs and offer advisory services for those who would be open to other services.	2.9

Area of service	Value of automation	How crucial is it to automate this function? Advisers' rating out of 5
Client reporting	Currently the most automated stage of the client lifecycle. Driven mainly by the need to comply with regulation, the ability to generate and distribute client reports automatically has significantly improved front office productivity and compliance.	5.0
Tracking referrals	Compeer research shows that referrals drive over 40% of new business. Developing a system to track and analyse this information automatically will enable a firm to reach out to prospective clients and increase client inflows. Firms admit this is an area that needs work and intend to target this as part of their data strategy.	3.9
Client exit interviews	As the final point of contact in the client lifecycle, all firms agree interviews should be face to face when possible to fully understand how the client is feeling and why they are moving. Once collected, the data should be fed into a system and analysed to find patterns and trends in why clients leave to target any systemic weaknesses in the business model.	2.6

Key takeaways

Every wealth management firm has a strong growth ambition for the next five years and recognise that improving their technology is the key to achieving it.

We believe these are the six most important areas for firms to address:

1. Most wealth management firms need to integrate, upgrade or switch systems to achieve their growth targets.	Wealth management firms recognise the need for more structured, better organised internal systems in achieving their growth objectives. A lack of integration is affecting front office productivity and remains a challenge across the industry.
2. Taking a proactive approach to data management will strengthen every relationship.	Too many wealth management firms still haven't got a data strategy. Those that do are focused on organising the collection and analysis of data to build the backbone of their digital efforts and maximise each step of the client lifecycle.
3. A good CRM is vital. Effective CLM starts with having a single client view.	As the central hub for managing client data, the CRM should drive productivity and maximise value across the client life cycle. Instead, it frustrates front office staff and fails to provide them with a single client view.
4. Improving the front office will enhance the entire client lifecycle.	The average front office is working at around 80% capacity. Getting closer to full capacity means giving front office staff the right technology to reduce administrative tasks and allow more time to manage client relationships.
5. Onboarding is the biggest opportunity to stand out.	Automating the onboarding process is a top priority across the industry, but the lack of integration across onboarding tech is a significant hurdle. Software that connects the full experience and offers a straight-through process will increase front office productivity, improve client satisfaction, and ensure efficient collection and storage of client data.
6. Finding the right balance between high-touch and high-tech will maximise value.	While most areas of the client lifecycle can be automated, not all areas need to be. Client lifecycle management, with automated onboarding checks, prudent risk management and integration with other CRM solutions, would be a powerful tool to improve the client experience.

Driving performance in the wealth management industry

Compeer is the premier provider of business performance benchmarking for the Wealth Management and Private Banking industry, providing essential contributions to guide strategy and planning.

As well as undertaking primary research for clients and the industry, Compeer organises specialist wealth management events throughout the year, giving a unique insight into the key issues driving business performance in the wealth management industry.

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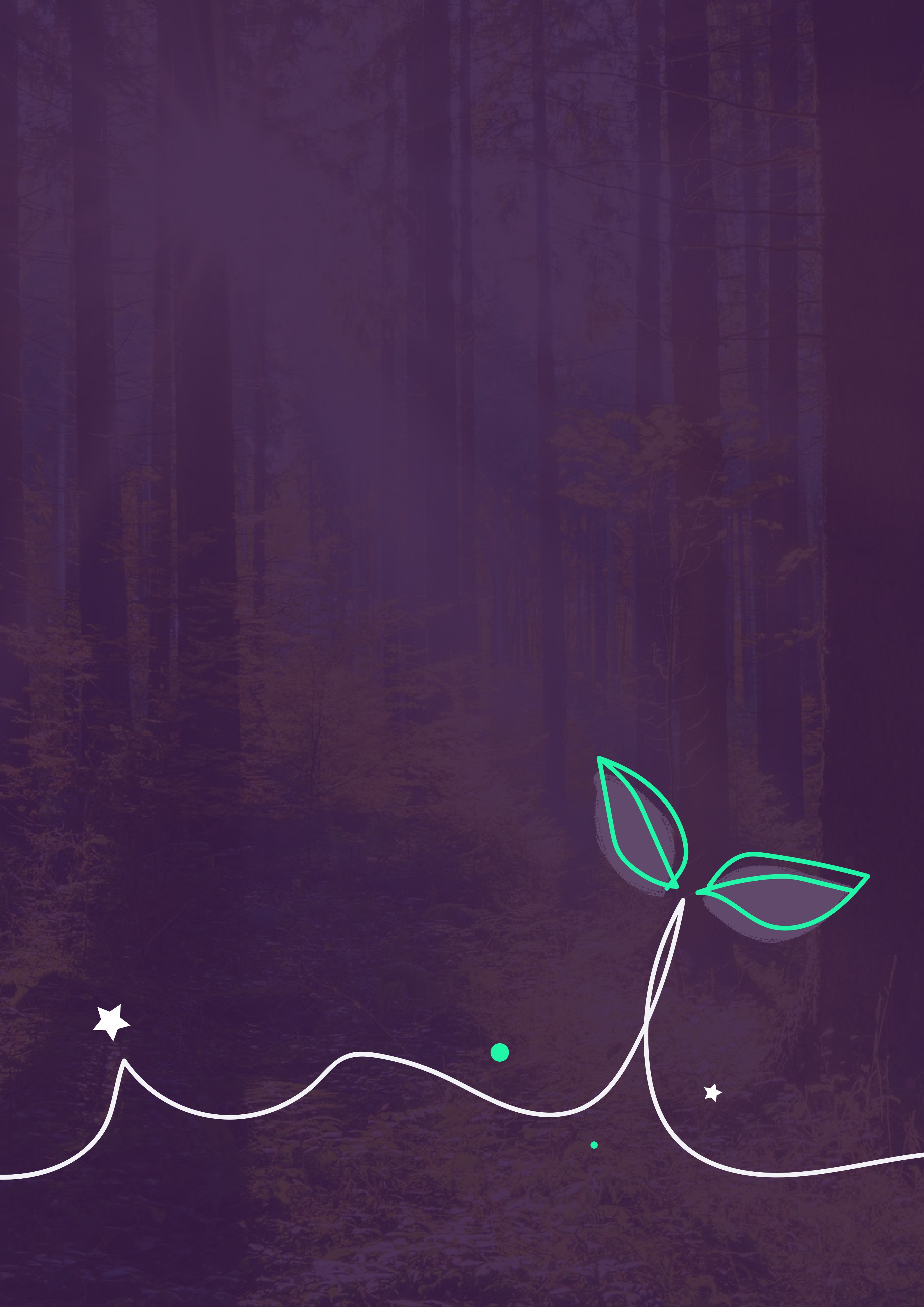

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