The only way is up

Growth via client life cycle automation

Effortless, sustainable and scalable growth—it's on the minds of most, if not all, private wealth management businesses.

In an industry with access to some of the best technology, growth should be simple, right? Today, the majority of businesses are steeped in disparate software; making daily life—and any chance at growth—rather difficult.

All in all, we know private wealth businesses want to attract new business and scale up, but are having trouble effectively servicing their existing clients. They are producing more data than ever, but it's not aiding decision making. And while new tech makes for faster output, it tends to stop with the front-office teams who are bereft of adding value to client experience.

Here in the APAC region, it can be easy to focus on the local market, however, there are times when there's merit in looking abroad. Because while Australia has shown promising growth as an entrepreneurial tech hub—the UK is a leader in this space; as a nation with undeniable trading power, and one of the largest economies in Europe.

This eBook looks over to the UK and explores the dilemmas faced by wealth management firms—and their quest for scalable growth over the next five years and beyond.

Together with industry benchmarking firm Compeer, we asked some of the UK's leading wealth managers the following questions:

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

We've also identified six must-address key areas for wealth management firms.

1.

The quest for scalable growth

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

The next five years

Every wealth management business has high ambitions for growth.

The companies we spoke to as part of this UK research, manage a combined £165bn ($310bn AUD) 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 growth rate of 39.8%.

Likewise, since 1980, Australia's wealth management industry has doubled its local economy share–with no slowing down in sight.

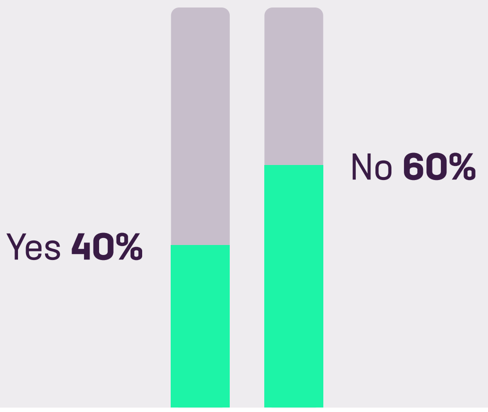
Wealth management is big business with a recent PwC report[1] estimating $104 trillion of assets under management globally in 2020, and in Australia $4.3 trillion. PwC reported an expected growth rate of 5.6% per year by 2025, amounting to $147.4 trillion globally.

With an ageing population comes an increased demand as retirees seek financial advice and wealth management.

However, with global market volatility, major changes in working conditions, and continued concerns surrounding the pandemic, these growth targets may be difficult to achieve.

1. *'Asset and wealth management revolution: The power to shape the future'* - ***pwc.com***

Can your current technology support your growth targets?



How can private wealth managers achieve their growth targets?

Our UK research clarified that achieving growth targets requires:

1. a sound digital strategy
2. a more efficient and productive workflows
3. a better client experience.

Yet only 40% of UK firms participating in the research believe they can support their growth targets with the current technology they have in place. Meaning the majority need to urgently upgrade or replace their current systems if they want to keep up and achieve sustainable and scalable growth.

2.

Building productivity & efficiency

How do you increase front-office efficiency to support growing workloads as your firm scales up?

How productive are wealth managers today?

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

However, finding or building a system that is fit for its purpose—one with seamless integration—is one of the industry's biggest challenges.

When we asked UK wealth managers about the level of integration across front-, middle-, and back-office systems, most firms said their systems are integrated to a 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. This is often a sign of poor system design which in turn complicates daily tasks for front-office staff.

Of course, we know about the deep and inherent complexity that exists within private wealth management businesses – including wasted re-keying client information across disparate portals and systems. Scalability remains a significant issue within the industry, with costs surging and engulfing any growth in revenue.

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

The more successful private 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.

Why is data still a problem?

Private 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.

Data is a hot topic for wealth management in Australia. An EY study[2] found that over half of Australian wealth management clients surveyed are willing to pay more for personalised service, and that in exchange for greater personalisation, the majority of Australian wealth management clients (72%) are willing to share personal data with their primary wealth manager. So being clever with your data has never been so crucial.

Disorganised data is a heavy administrative burden for private wealth managers, causing a variety of problems such as:

- reduced front-office and adviser productivity
- inefficiencies across the business
- siloed information
- raised risk of information loss
- higher levels of client attrition.

The more innovative firms have already developed a model that captures client data once, then re-uses and shares it between a network of integrated systems.

With the right CRM in place, firms can automatically store client data in the form of meeting notes from phone calls and emails—attached to the client's record. This will provide front-office staff with more of a single view of the client-allowing them to analyse a snapshot of the client's lifecycle in one place, and eases the burden of compliance.

2. 'Australian wealth management clients want more personalised service, willing to share data and pay more: EY report' - ***ey.com***

3.

Enhancing the client life cycle

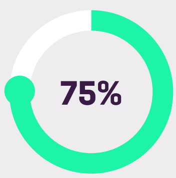
How do you scale up without affecting service quality?

> More automation leads to fewer errors, fewer problems along the way and a higher quality service.

Are wealth managers meeting clients' expectations?

Approximately 75% of the firms surveyed rated their digital service as "in line with our main competitors". They all said technology could improve their quality of service.

How do you 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?

Yes

Where is automation making a difference?

For automation to be valuable, it must focus on a firm's key pain points, streamline processes and increase operational efficiency. This creates an opportunity to provide higher-quality digital client services.

Client reporting

Every firm we spoke to explained how they have successfully automated large sections of the quarterly reporting process in response to EU legislation. With increasing regulatory requirements in Australia, including recent changes to advice fee consent, and upcoming DDO obligations, automating these processes for firms has never been so crucial.

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 to reports by allowing front office-staff to manually edit and tailor reports.

While discussing how to maintain this 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.

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. The requirement to send out quarterly reports has taken up valuable time potentially used to deliver other services.

Static valuations are a significant flaw pointed out by firms. By the time the client receives this information, it's already 3-4 weeks old.

Instead of static reports, firms would prefer to offer clients on-demand information and access to real-time portfolio updates via a portal or app. Alongside this, they would like front-office staff to be more engaged with clients throughout the year.

> "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.

Client onboarding

As firms' digital efforts focus on data strategy, many see the onboarding process as the first step in creating a solid and effective data management system to support 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 experience, firms can demonstrate their digital capabilities at the first point of contact to clients and build a scalable foundation for growth.

Speed is often a measure of a successful onboarding process. Unlike other financial services sectors where onboarding can be close to instant, in wealth management it is often tedious and drawn out. Our interviews with UK participants show disparities between client onboarding times:

- Firms with well-structured workflows onboard **within 1-2 days.**
- Firms with a predominantly manual onboarding process struggle to organise the data quickly, and take **weeks or months.**

Automating the collection and storage of client data is a driving factor for a speedy onboarding process—it ensures the quality of the data collected from day one.

To avoid delays, firms must ensure the technology supporting the onboarding process can keep up with the workflow. For every manual step, the risk of errors increases, causing issues further down the line and unnecessary friction.

Is onboarding automation worth the effort?

Firms tend to be reticent towards the automation of onboarding because each client is onboarded only 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.

Slow asset transfer is one of many factors outside of a firm's control. 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.

So what are the real benefits? Data management and organisation, and enhancing productivity for the front-office staff is where we see bang for buck. Storing the data efficiently and feeding it into a CRM builds the foundation for developing more productive processes. So let's focus on these, and the direct client benefits they create—because in the end, first impressions are lasting impressions.

Key takeaways

From the UK to Australia and beyond, every wealth management firm has a strong growth ambition over the next five years and recognises technology as the key to achieving it.

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

1. 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. A proactive approach to data management will strengthen every relationship.	Firms with a data strategy 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 life cycle.
3. A good CRM is vital.	As the central hub for managing client data, a CRM should drive productivity and maximise value across the client life cycle.
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. Automated onboarding is the biggest stand-out opportunity.	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 & 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, robust risk management and integration with other CRM solutions, would be a powerful tool to improve the client experience.

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About the research

This research referenced in this eBook was commissioned by Iress and conducted by Compeer in the UK.
The full research report can be found: https://www.iress.com/going-for-growth-automating-the-client-lifecycle