

## Digital Client Engagement – the leading edge for a profitable customer relationship in Wealth Management

How Wealth Managers can steer the right course towards the Holy Grail of high profitability in the digital age

### Digital revolution in Wealth Management

Narrower margins, fiercer competition, sharpened regulation and changing customer expectations – as Wealth Management has been facing a steady downward trend since the financial collapse, innovation appears to be the only way forward.

While Private Banking looks back on a long tradition so far, its conservative attribute was yesterday.

And the Wealth Manager's dilemma continues. After the financial crisis, a massive wave of digitalization, automation and robotization has been triggered by new competitors entering the market: FinTechs.

With their cost-efficient business models, specializing in individual offerings, they are trying to capture a competitive share in a shifting landscape – and many of them have not even appeared in the industry before.

Nevertheless, FinTechs are able to capture such a growing share because they apply a maximum level of standardization to specific services. All this combined with a state-of-the-art IT infrastructure and highly efficient processes which Wealth Managers mainly do not have at their disposal but which are being increasingly demanded by clients. As change seems to be inevitable, Wealth Managers would be well-advised to adapt and take advantage of the arising digital opportunities. ➤

**The Deloitte Digital Client Engagement series**

This is the first abstract of a series giving relevant Wealth Management-related insights and an overview of contemporary tendencies in the market, intended to optimize Wealth Managers’ client services and their bottom line to prepare for the future of Wealth Management. In the face of the current omnipresence of digital disruption, Deloitte highlights the latest issues with a focus on engagement strategies in Private Banking.

The series will continue i.a. with an in-depth view on how to select the most suitable engagement channels and provide tailor-made services to Wealth Management clients in the digital age.

**Sapere aude: changing customer expectations**

Since the financial crisis, autonomous clients have been gradually challenging financial services and focusing on performance transparency. They are increasingly asking questions about the justification for Wealth Managers’ fee levels.

But there is more to it than that. Information on investments must be

shared through all conceivable interaction channels – this ranges from traditional face-to-face contact via websites and mobile apps to social media.

At any place. At any time. And obviously at a fair price.

This does not necessarily mean that the traditional relationship-driven business model in Wealth Management will become outdated. However, it is evident that there will be a tremendous shift from personal to digital interactions, while hybrid models might appear to be very attractive.

But who exactly is being aimed at?

It is clear that targets have to be positively identified before the trigger is pulled.

**Who are UHNWI, HNWI and HENRY?**

Currently, a flood of self-directed digital natives with individual prospects is entering the market. These clients have to be served in the channels in which they are used to interacting.

Due to a wave of inheritance in the near future, more and more millennials will become high-potential clients – so the proportion of customers who are not

willing to accept limited or old-fashioned interaction channels will grow dramatically.

As a rising number of people are using smartphones and tablets far more intensely than personal computers, comprehensive mobile offerings are rather a ‘must’ than a ‘nice-to-have’.

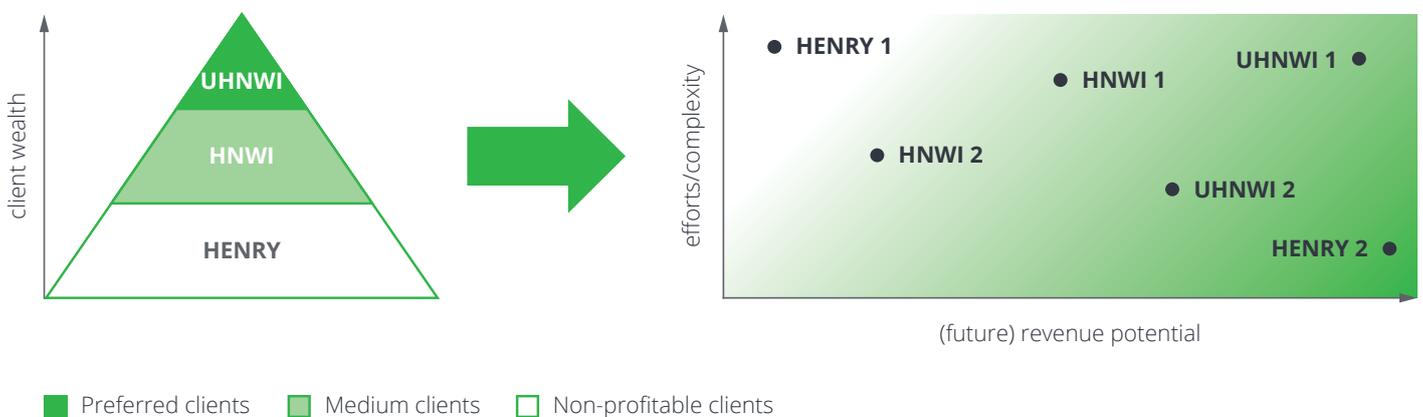
The Deloitte series will take a close look on those tech-savvy early adopters of digital technologies who want to be responsible for managing their own portfolios.

There are the well-known Ultra High Net Worth Individuals (UHNWI) – people with investable assets of at least USD 30 million, excluding personal assets and properties, who control the highest proportion of global wealth.<sup>1</sup>

The next tier, High Net Worth Individuals (HNWI), have investable assets of at least USD 1 million.<sup>2</sup>

But there is also a universe apart from the super-rich which now can be seen as an attractive target for Wealth Managers, thanks to digital disruption and autonomous clients.

**Fig. 1 – Wealth Management client segmentation – from pure assets under management to cost-income ratio approach**



Source: Deloitte Consulting GmbH

<sup>1</sup> Source: World Wealth Report 2016.

<sup>2</sup> Source: World Wealth Report 2016.

Deloitte investigates those potential clients that are not rich yet: the so-called HENRYs (High Earners that are Not Rich Yet), which are rising in the affluent market and having investable assets between USD 100k – USD 1 million. Regardless of where wealth limits are set, it is obvious that those clients hold enormous potential, which is why it is a matter of finding out what their needs are.

Following a new segmentation approach, as shown in figure 1, those clients will be clustered i.a. according to their “effort vs. (future) revenue potential” instead of the outdated “assets under management” classification, which will dramatically shift and extend the list of profitable and top Wealth Management clients.

While clients are used to obtaining total information across all channels in real time, a delay in the execution of final settlements is likely to result in a negative customer experience. As this in turn could lead to a reputational damage for Wealth Managers, this issue holds enormous Business Process Optimization potential.

Will Wealth Managers be an endangered species in future, when clients hold the whip hand? That might well be the case if they do not jump on the digital bandwagon in time.

Thus Wealth Management is obliged to establish the right capabilities to foster seamless multi-channel communication. The key is knowing target preferences for the corresponding channels by connecting basic fundamental clusters of client data with easy-to-obtain behavioral traits. Pre-existing cookies on web services and mobile app download-logs can provide first insights about digital channel acceptance across all age groups.

### Social media enriched Wealth Management

Is it possible to leverage Wealth Management opportunities with a social media presence? The approach should be to reach out, engage and tell a story by means of a selective content strategy.

Deloitte supports identifying possibilities for attracting, growing, and maintaining the client base with the help of innovative omni-channel strategies and defining the triggers to foster interactive rather than responsive communication.

Creating the role of the trusted advisor can be seen as one of the future challenges relationship managers will have to face when it is a matter of obtaining deeper knowledge about the client’s preferences.

So it is essential to keep in sight what information is shared online in external databases such as social media and blogs. These analytics go beyond existing data as they include information publicly accessible through the World Wide Web.

### Big Data analytics: leverage existing data to the maximum

There is no need to reinvent the wheel. Apart from thinking about cost efficiency and process optimization, Wealth Managers must start to consider a forgotten asset that costs little or nothing: existing data.

Established Wealth Management companies often run a fragmented and complex IT infrastructure where redundancies are common and information gathering is challenging.

Can this obstacle be overcome? The answer is provided by an intelligent connection of various information sources and behavioral traits – utilizing Big Data’s potential and benefitting from logic combinations and conclusions.

But first things first. Even minor data can deliver useful customer insights. From age to marital status or compliance-relevant categorization – every piece of information offers input for characteristic patterns that can be selectively clustered and compared to peers.

Clients with a certain amount of liquid assets live in specific areas and have inherited wealth.

Truly no news in itself but what are they likely to do in the future and especially their millennial kids?

Data-driven identification of fundamental logical clusters based on specific attributes would be the first step towards developing a more sophisticated approach to segmentation. After all, data is becoming the world’s most valuable resource and it is time for Wealth Managers to leverage its potential.

Deloitte provides guidance for choosing an automated learning set-up while ensuring customer data security. Our expertise lies in providing outstanding front-to-back solutions based on an individual Big Data analysis, in order to help Wealth Managers justify fees and increase personalized advisory and targeted services rather than simply implementing automated enhancements to existing Wealth Management tools.

### Why Deloitte?

Deloitte has a proven track record and profound knowledge in the Wealth Management industry.

As shown in figure 2, the Private Banking & Wealth Management team collaborates with dedicated consultants, experts and developers that generate eloquent insights.

Deloitte services include:

- Market Development Analysis
- Customer Analysis & Segmentation
- Customer Experience Strategy
- Business Strategy and Target Operation Model definition
- Process Innovation
- Product Leadership
- Digital Platforms and Services
- Applied & Predictive Analytics
- Digital Health Checks
- Data Security
- Design Studios, Labs and Greenhouses

- Collaborations with Deloitte Digital, Deloitte Analytics Institute (DAI) and neuroScience institute

In collaboration with DAI and Deloitte Digital, our solution serves dynamic segmentations based on the analysis of extensive internal and external data to design granular and homogeneous customer segments.

This enables deeper understanding and reveals up-sale and savings potentials due to targeted approaches. The solution is an individual approach that leads to an enhanced product and service offering.

Moreover, we are working with a number of WealthTech companies to assess the impact of digital disruption on traditional Wealth Management business and to define client-centric business strategies.

Deloitte assists in designing individual roadmaps for the best segmentation in only a few steps.

We will help to understand segmentation opportunities, including who the target is, what the preferences are and how clients respond to products and brands across all touchpoints.

As the future belongs to those who prepare for it today, Deloitte's solution will lead to the discovery of new opportunities.

The challenge? There is no single winning path. But reacting effectively to digital disruption will involve much more than launching a mobile app. It is important to make an impact by boosting client-centricity. We help in identifying key success factors for digital innovation in Wealth Management. The next step? Become the front-runner in a rapidly disruptive environment and let Deloitte help you to lead your clients into the digital era.

As Wealth Management faces a fundamental shift in customer behavior, we support businesses for a unique customer journey and sustainable retention.

Deloitte – because change does not happen by itself.

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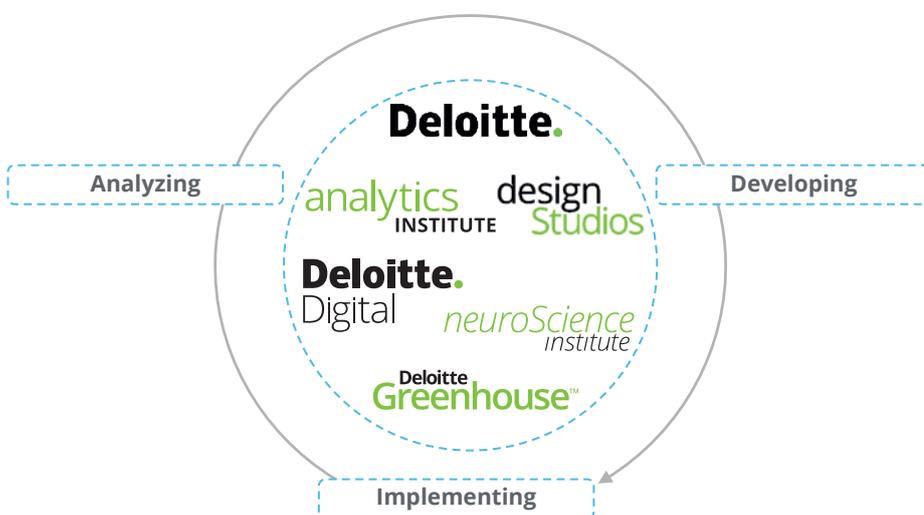
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**Fig. 2 – Leveraging Deloitte's capabilities**



Source: Deloitte Consulting GmbH



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