Data challenges in wealth management
Capitalizing on the underlying opportunity
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From increasing regulation to new digital delivery channels, shifting wealth demographics to fee pressure, and now cyber security threats, wealth managers continue to face a myriad of industry dynamics. To stay competitive and compliant, firms are embarking on new initiatives, such as rolling out alternative investment products and creating a single client identifier. These innovations increase data volumes and complexity, making it harder to manage, maintain, and mine data. Requirements for high-quality data availability have never been more pressing as wealth managers seek to expand globally, enhance sales effectiveness, and add robo-investing capabilities.

In the subsequent sections, we'll cover these three leading practices, their associated data challenges, and how we’ve helped wealth managers address them.
01. Take advantage of scale and global expansion

The opportunity

A number of wealth management firms have looked to go global and multi-regional in search of growth. Two benefits in addition to sheer size are:

- Easier to consistently serve clients domiciled in one region with investments, interests, or family members in another region – a growing situation especially among ultra-high net worth investors
- Access to scale economies in technology (e.g. CRM and portfolio management tools, trading platforms), in processes (e.g. client on-boarding, reporting, account maintenance and execution), and the people needed to support them

The challenges

Although these wealth management firms recognize the benefits of going global, they have encountered significant data challenges in achieving their global vision. While there are local and firm specific issues, we have observed some common themes:

“Defining” the client — When a consistent single client identifier has not been established, it is difficult to get an accurate and complete view of a client. This inhibits the sharing of client information globally, understanding of client profitability, and the ability to identify opportunities to grow the relationship. This is an issue still experienced by firms regionally, let alone globally.

Local versus global frameworks — Frameworks, such as asset and product classification, exist at both a local and global level and do not fully align. While high-level grouping may be consistent, differences start to emerge at deeper levels of the frameworks. This is due to local requirements and/or differences in business practices, and can have several ramifications:

- The same client position could be reported differently in terms of asset or product classification across regions, leading to potential client confusion
- If global frameworks are used as the basis for client reporting, considerable local resources may be needed to manually adjust the reporting
- It causes significant barriers to automating advice and client reporting, thereby limiting the move to digitization
- At a global level, the firm may not be able to get an accurate view of exposure to a particular asset class

Position related — At a more granular level, positions (price and quantity) are not calculated consistently. One primary reason for this is a lack of consistency in the use of trade vs. settlement date. As wealth management moves increasingly towards digitization, this will regionally as well as globally.

Missing or incorrect data — Gaps in data fields are particularly prevalent in client profile information, especially when those fields are free-form. This may cause client service issues as well as pose a significant regulatory risk. Even in a highly digitized scenario where profile information is entered directly by the client themselves, a lack of guidance can result in incorrect or inconsistent data.

Data usage and accessibility — Client and position data is often distributed across multiple systems. While data warehouses may exist, it is difficult to collect and aggregate additional details from multiple repositories and drill down for insights. Unstructured client data is especially challenging, as it is often held in multiple repositories and is difficult to source. Most critically, this creates a challenge on the ability to monitor and control the business, respond to regulatory inquiries, and react to market conditions in a timely manner.

What to do?

Most firms that have grappled with these challenges recognize that having a robust and flexible data management approach is a must. This encompasses data governance, data quality, master data management, and metadata management. Each of these capabilities are critical to achieving data quality, consistency, and sustainability across the firm.
Some firms have achieved a robust data management capability within a particular business unit and region but not across the entire firm. Some have tried to expand more globally but were not able to meet regional needs. Both bottom-up and top-down approaches have been attempted, but these challenges remain:

- Firms may claim to have strong data management capabilities, but they do not have the metrics and methods to confirm the accuracy and consistency of the data.
- Firms may have the right capabilities built within the firm, but the lack of leadership support will keep the capabilities siloed within business units and within regions.

How to do this?
Many lessons can be learned from those who are well on their way to a robust data management capability, including:

- The organization needs to understand what the full capability means – it’s not just about data quality or just about data governance.
- Implementing comprehensive data management needs to be phased in, even at the data element level.
- Facts need to be gathered to make a strong business case to build out the full capabilities.
- Support from the top is needed to ensure that both global and local needs are addressed.

Case study

The situation
The private bank of a leading global bank was considering improvements to its wealth management (WM) process to enable a more global, digital, and goals-based approach. To support its vision, the data quality needed to be at a level that would support digitization, and the automation and analytics needed to remain competitive.

The complication
Initial meetings with key personnel across the firm globally suggested that there were a number of data quality issues impacting the accuracy, consistency, and integrity of the data. A subsequent study surfaced specific data issues and inconsistencies with varying impact, across client, product, and position data. It also revealed issues related to data usage and accessibility.

Deloitte also found that in all but a few regional instances, the private bank did not recognize the importance of the data management capabilities required to support the future state digitalized WM process. Where regulatory mandates required a unified approach and response, data management capabilities had improved dramatically. However, to achieve sustained data quality and consistency, the firm needed to establish coordinated data management capabilities across all regions.

The solution
Utilizing Deloitte’s data management frameworks and considering each region’s maturity level and gaps, we developed a roadmap with the following components:

Critical path
- Establish proper data governance with responsibilities assigned
- Develop standards, glossaries, and definitions within a data dictionary (start with prioritized data elements)
- Profile the data and utilize a data quality and profiling tool to develop data quality measures and rules-based checks
- Establish a consolidated issue management and resolution strategy

Mid term
- Establish governance metrics, policies and procedures, and controls
- Establish standard data quality dashboards and consolidated reporting
- Develop a master and reference data architecture and tool strategy
- Develop a data integration strategy to reduce the number of interfaces and reduce the number of non-syndicated repositories; identify authoritative sources
- Develop an enterprise metadata strategy; perform lineage analysis

Long term
- Enable automation or workflows for data stewardship, reconciliations, and error processing
- Implement a common global client ID and mastering
- Establish standard data models, including a semantic layer to enable service-oriented architecture
- Implement technical and business metadata mappings
02. Drive sales effectiveness and organic growth

The opportunity
Asset managers are facing industry shifts and associated operational challenges. More data (product, transaction, and customer-related) is available than ever before and new analytics capabilities enable asset managers to better identify and engage with clients.

a) Increasing availability of client, 3rd-party flow, and AUM data — With its applications limited to basic benchmarking, wealth management firms have traditionally underused market data. Data providers and aggregators are now focusing on providing more specialized data such as social sentiment, zip code level AUM, and real time trading feeds. There is increased pressure to demonstrate the ROI of market data spending, which leads to greater emphasis on developing capabilities that translate market data into actionable insights.

b) Broker-Dealers increasingly providing tailored advisor-level data to wholesalers — Larger distributors and wire-house firms are now beginning to provide more relevant cuts of advisor-level data to wholesalers, including details on the advisor’s book of business, aggregated sales and redemptions data, market share, etc. Availability of this information provides fund shops a good view into firms with limited penetration.

c) Maturing advanced analytics capabilities — The emergence of and steady acceptance of big data technologies into mainstream technology architectures have resulted in a number of potential applications within wealth management. Several core business processes, from prospecting and client acquisition to client advice and supervision, can be significantly enhanced by the use of advanced analytics.

The challenges
The increasing maturity of analytics capabilities and advances in data engineering create several challenges.

Saturated product categories, limited differentiation and increasing focus on passive products — Active product shops are redefining their strategies with a strong focus on developing more complex products and aggressively market the benefits of active management. Lack of well-defined product hierarchies, an inability to granularly dissect data, and an inability to aggregate product metrics, all hinder the ability to more accurately determine cost and profitability of newer, complex products.

Evolving preferences for sales engagement — Advisor preferences are changing due to evolving technology and availability of accurate, relevant data at their fingertips. Within the intermediary space, internal wholesalers’ roles are evolving beyond following up on external appointments. Effective wholesalers and advisors are now sifting through a large number of data points that bring together an advisor’s buying patterns, industry benchmarks, marketing and opportunities data, and predictive models to make intelligent decisions about which client needs to be followed up with, about what product, and through what channel.

360 view of the client — With an increased focus on productivity, both in the intermediary sales space as well as direct to client sales, it is imperative that wholesalers and advisors have all relevant data points about a customer at their fingertips. Firms are making major investments in customer relationship management systems as they seek to understand and profile customer behavior. This is with respect to how portfolios are being built and which sales force interactions are most productive.

Optimization of product-channel mixes — With the shift in the distribution from wirehouses, RIAs, independent broker-dealers, asset managers will focus on realigning marketing and wholesale activities. Wholesalers will require access to better intelligence to determine appropriate product-channel-advisor mixes.
What to do?
Wealth management organizations need to invest in modernizing data architectures to ingest and consume a variety of structured and unstructured data sources, ranging from real-time trading data to social media and sentiment data. This will not only require technology updates, but more importantly, an integrated data model will need to be defined by the business to logically combine and connect external market data with internal CRM, risk, and financial data. This kind of transformation requires a few foundational components to be in place before advanced capabilities can be developed:

Foundational capabilities:
• An integrated data model that ties Sales and AUM data with product, channel, opportunity, and activity data
• Develop KPIs that tie internal and external wholesaler metrics to sales and AUM generated metrics
• Shift from a product-centric to a customer-centric model that brings together transactional, demographic, and behavioral information for a customer
• Invest in developing omni-channel capabilities to propagate and share actionable insights across front, middle, and back office, driven from a single source of truth

A strong set of foundational capabilities will provide the right platform for organizations to take full advantage of emerging analytics trends and technologies, including:

• Analytical models that integrate social and channel data to assess customer sentiment and attrition risk in real time
• Advisor level data can be now be combined with internal profitability data to effectively derive share of wallet, propensity to buy, and next best action
• Wealth managers can leverage the power of cognitive computing and natural language processing to analyze massive amounts of data and provide personalized, fact-based investment recommendations

How to do this?
Holistically gather business reporting requirements and include internal and external wholesalers, data governance, and technology teams in the process:

• Get the business to drive the development of the logical and conceptual business model. Very often, the biggest stumbling block to transformation programs can be the lack of business participation at the data modeling stage
• Create an Enterprise Reporting Dictionary with a comprehensive set of measures, attributes, and metrics required to fulfill reporting needs
• Establish an Architecture COE to ensure that solution architecture and design decisions are not made in siloes, with integration across functions being key
• Adopt an agile approach to building reporting capabilities on top of the integrated model, starting with a small subset of critical KPIs and evolving multiple views based on regular end user feedback
Case study
The situation
A large asset management firm in the US, selling multiple products and services across various channels and geographies, had laid out a long term sales strategy to overcome several fundamental business challenges. At the core of this strategy was to invest in data-driven analysis and reporting that would provide actionable insights into several challenges, including:

• Certain channels continue to grow at a steady rate (>10%), while others decline or remain stagnant
• Market saturation is making it difficult for customers to differentiate quality for various products and services
• Disconnect between customer relationship management, internal financials, sales, revenue reporting, and forecasting

• Need for additional transparency and responsiveness to meet customer and regulatory expectations

The complication
The firm’s long term strategic sales initiative identified several key pain points associated with their current data warehouse that contributed to an unsupportable reporting solution:

• Inadequate information management practices led to a siloed approach to reporting
• This approach to reporting resulted in a data warehouse and reporting infrastructure that was not scalable and inflexible
• The underlying data model required significant redesign
• The poor quality of reporting became an operational burden to the organization — the high levels of support for existing reports made new report development more expensive, longer to implement, and increasingly difficult to maintain

The solution
• A functional data model built to incorporate industry, third party, transactional, and CRM data, enabling integration of key data points critical to intelligent sales reporting
• A scalable, consistent, and high performing data architecture that provided the integrity of a single source of truth for transactional and reference data
• Fit-for-purpose views of data to support multiple consumption needs such as sales, marketing, compensation, etc
• User-story driven interactive reports and dashboards that were a one-stop shop for all critical sales and activity intelligence.
03. Enable digitization through robo-advice

The opportunity
The popularity of robo-advising has continued to increase within the wealth management industry, primarily driven by the availability of technology to enable customized solutions for customers at a cheaper price. Specifically, advances in big data and analytics have jumpstarted the proliferation of attempts to create robo-advising offerings for customers of wealth management firms. The development of these services started in automated portfolio allocation, and firms are looking to expand the scope of services to other areas such as goals-based advice, business succession planning, insurance, and other automation-enabled activities. This market is becoming quickly saturated with many players trying to take market share, and include not only traditional financial institutions but also smaller, individual-focused fintechs. No one model or player has yet emerged the winner, and key data challenges to support the increasing desires of customers and firms’ abilities to serve will need to be overcome in order to succeed in this market.

The challenge
Some key data challenges are:

Automation limitations / account onboarding — Meeting the challenge of creating a fast, simple, intuitive customer experience, while enabling the right systems integration processes to support this, is a key barrier relative to creating an automated offering. The manual processes that firms have traditionally relied on for quality assurance and customer account onboarding have to now become digital in order to support an automated robo-advice offering. This poses a problem when existing customer data is incomplete or inaccurate.

Also, ensuring the right set of client and account data is captured and populated for each of the product recordkeeping systems is crucial for creating an automated onboarding process. Furthermore, firms will have to take into consideration differing regulatory requirements for products sold on those platforms.

Account aggregation — Wealth management clients are increasingly looking for a total picture of their assets, not just those held within a single firm. To access external assets, some aggregators require client passwords to access external account information. While aggregators have helped streamline this process, the degree to which institutions provide client data understandably varies. Institutions and wealth management firms both desire to mitigate the risk of having personal financial information and access to accounts. However, as a result, the processes for data management can be difficult to incorporate and support for wealth management firms. As no standard process exists, this can create risk for a uniform customer experience.

Single client identifier — Wealth management firms are shifting from a business unit/separate product view to a more holistic, integrated view of their customers. As a result, most financial services firms have been working on building out a “single client identifier.” This is now a challenge because wealth management firms have built their systems to support individual, separate businesses rather than single clients. The benefit of having a single view of the customer is now well understood by wealth management firms but difficult to execute, and how best to define and manage this is a challenge for those firms.

Goals-based models — Similar to the single client identifier problem, firms may also have multiple client profiles available through multiple channels, which pose
10 problems for creating a goals-based model relative to a client’s full financial profile. Integrating these multiple profiles into one interface will not only provide a better user experience, but it will also allow firms to start to track behavioral patterns of their customers. This will help them increase customization and predictive behavioral models. However, creating the conditions for supporting goals-based modeling and behavior tracking requires substantial systems integration, analytics strategy, and execution, which may be a challenge.

**Social media integration** — Providing a customized experience necessitates data intake from multiple channels. For example, customers could provide relevant sentiment data through Facebook or Twitter, which could then be gathered by firms to adjust offering recommendations customized to that user. In order to do this, firms would need to source and integrate unstructured data within their existing data architecture. They would also need to create actionable insights that are then executed to the user, posing a considerable challenge for wealth management firms.

**What to do**

There are multiple approaches to incorporating a robo-advising component to the offerings at wealth management firms, each with their own data-specific requirements. Firms should take a balanced view of their customer’s desired set of offerings - from a behavioral perspective, the business objectives of the firm itself, and the feasibility for enabling the desired solution using their own technology or partners in the market. Right now, the state of robo-advice is rapidly developing in the market. The sooner a wealth management firm can align on the strategic platform of offerings for their clients, the sooner they can then plan to address the additional data challenges for implementation. In some cases, organizational structure (and data architecture) will need to be addressed in order to serve these challenges; in others, partnering with external fintechs or technology-enabled companies will be the quickest and most effective way to overcome these challenges.

**How to do this**

Firms should choose the robo-advice model and capabilities that align with strategic objectives in order to choose the right path to market for this type of offering. Firms who are evaluating their internal ability to address these data challenges should take into consideration not only the structural system’s needs, but also the optimal user-facing experience when planning their approach. For firms who are evaluating the use of a complementary partner, the following dimensions may be useful to consider:

- Primary orientation of partner – are they Investor-led (self-guided) or advisor-led (advisor-assisted)?
- Primary source of competitive advantage for these partners – is it engineering and design, investment performance, or the suite of financial planning tools?
- Level of technical sophistication required for integration with firm’s existing architecture – is there a large amount of integration and restructuring needed to create this offering, or is it easily accessed?
Data challenges in wealth management

Case study

The situation
A global financial services and group insurance company wanted to create a way to support their members’ financial wellness based on the following:

• Growing adoption of competing digital fintech platforms by current customers in the market
• An increasing desire to meet the needs of their members directly
• Creating a superior user experience for their members over current experiences with their platforms and in the industry

The company was open to partnering with or acquiring a fintech startup or building it themselves based on the desired user experience and business objectives.

The complication
Finding the perfect partner for the company that would fill in their own data challenge/systems architecture gaps, be able to develop a superior user experience, and support the integration of other necessary data vendors proved challenging. While there were many potential partners to choose from, each came with trade-offs based on speed to market, level of control over the data, and complexity for execution and customization.

The solution
The company ultimately decided that they would contract an outside agency to develop the front-end of the application and use their own resources to build and reconfigure their systems architecture to meet their own data challenges. This way, they could control the data that they were capturing and the relationships with the additional vendors needed to support the platform build, which included an account aggregator, communication tools vendor, and appointment scheduler.

As a result of this choice, the company has been able to leapfrog over other newer competitors in the wealth management space as well as their traditional competitors. However, while their data challenges were mitigated for this single platform, they have had to address larger data challenges within their organization — particularly single client identifiers and onboarding automation. These have been scoped and incorporated into a larger roadmap for their organizational data transformation while they’ve been able to continue to develop a robo-advising platform for their current customers.
Conclusion
Clearly, leading wealth management firms are embracing disruptive technologies to remain competitive and target the next generation of high net-worth clients. To meet growing compliance mandates, they are also actively seeking ways to improve data transparency for client and regulatory reporting. Increasingly, data management competencies around data quality, availability, and accessibility will all play a key role in the success and effectiveness of their business models. For all types of wealth management firms, managing data as an asset has become a central component of the operating strategy in order to fully address the challenges associated with global expansion, sales force enablement, and digital interface with next-gen investors.

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