TECHNOLOGY AND OPERATIONS TRENDS IN THE WEALTH MANAGEMENT INDUSTRY

2013

WealthBriefing

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BACKGROUND TO THE REPORT/ABOUT THE AUTHORS

BACKGROUND

The wealth management industry has undergone a radical transformation in recent decades, and it continues to evolve at a staggering rate. An increasingly demanding client base, ever more stringent regulations and margin pressures mean that today's wealth managers must carefully balance the need to be leaner and more efficient while also continuing to provide the high-touch, personal service that is the industry's USP.

Against this backdrop, wealth managers are increasingly coming to see enhanced technology as the foundation on which a future-proof proposition is built. Deeper client engagement, improved satisfaction levels and a larger share of wallet are what all firms are aiming for, and improvements to operations and technology will play a huge part in getting them there.

But "throwing money at the problem" is no longer an option as cost/income ratios are running very high almost across the board. Technology and operations investment needs to be smart, and change programmes need to really deliver – and that is the rationale behind this report.

WealthBriefing surveyed an international sample of chief technology officers, whose firms together represent over $1 trillion of assets under management and cover all the major wealth management markets. We are very grateful to them for taking the time to give such detailed information across such a wide range of categories and hope that the report proves to be a useful barometer to them.

In addition to those from Advent, executives from many other technology firms, consultancies and wealth managers helped to put the survey findings into context and their insights are greatly appreciated. Special thanks also go to business transformation consultant Ross Williamson, whose comments and input into the survey itself was invaluable.

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Bruce left PwC in 2008 to launch Weatherill Consulting, which advises boards and senior executives of wealth and investment managers on a range of strategic and operational issues.

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Wendy contributes to an international portfolio of wealth management publications: the flagship site *WealthBriefing*; *WealthBriefingAsia*, covering the Asia-Pacific region; and *Family Wealth Report*, which focuses on the Americas. Wendy has particular expertise in the "soft side" of wealth management, such as branding and marketing strategies and client experience, and is also a passionate advocate of digital channels as a means to improve client engagement.

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Wealth managers continue to invest significant sums in their technology and operations, with a tenth of firms investing over $50 million a year in operations and a tenth allocating upwards of $20 million to technology. Third-party core software is another area of significant investment and this is set to increase further (or at least remain stable) for the vast majority of institutions.

2 WEAKNESSES REMAIN DESPITE A FLURRY OF RECENT UPGRADES

Nearly half of institutions have overhauled their systems in the past year and over eight in ten have done so in the past five years. Despite this upgrade activity, very few wealth managers have best in class capabilities and in many cases they are actually poor. Most firms are planning further systems overhauls in the next three years, with better CRM systems, ebusiness front office platforms and client reporting top priorities.

3 PRODUCTS PROVIDERS HAVE A REAL OPPORTUNITY FOR DIFFERENTIATION

COOs continue to "shop around" and almost half of firms have carried out a "beauty parade" of service technology providers in the past two years. Despite this however, and quite shockingly, the vast majority are unable to rate any of the major technology systems on the market and in several cases north of 90 per cent are unable to give a view on a particular product.

4 TRANSFORMATION PROGRAMMES NEED TO BE TRACKED BETTER

There is real need for wealth management organisations to improve the way in which they track and ensure the delivery of the benefits expected to be delivered by the business and technology transformation programmes they undertake. In cases where transformation programmes haven't delivered over half of respondents believe this is because the business case wasn't realistic in the first place. However, the most commonly-cited reason for failure was the increased regulatory burden.

5 REGULATION IS THE BIGGEST CHALLENGE FACING FIRMS TODAY

By a wide margin, the biggest operations and technology challenge wealth managers face is fulfilling current and future compliance and regulatory requirements; transparency is also another major challenge. Scalability is not as much of an issue as it once was, but it looks as though most firms will be operating at maximum capacity within three years.

SURVEY HEADLINES

6 SUITABILITY, FATCA AND NEW CAPITAL REQUIREMENTS LOOM LARGE

Satisfying regulatory requirements is clearly taking up a big chunk of wealth managers' operations budgets, and is viewed as much more important than other business-critical priorities such as cost reduction and data security. Suitability, FATCA and new capital requirements are seen as areas which will have the most major impact on wealth managers' operations and technology.

7 SYSTEM SHARING AND CULTURAL RESISTANCE REMAIN BARRIERS TO OUTSOURCING

Pretty low numbers are choosing to outsource various business functions which are "obvious" candidates for it. Outsourcing is largely limited to simple transaction processes, with firms preferring to keep the handling of client data in-house. The sharing of systems with a parent is proving to be a real barrier to further outsourcing, as is the "patchwork quilt" of legacy systems many firms are still grappling with.

8 MORE ACCESS TO MANAGEMENT INFORMATION DESPERATELY NEEDED

Wealth managers' MIS capabilities are pretty poor, meaning that crucial information is difficult to access. Key strategic data like client profitability is rarely readily available but more shocking is the fact that less than half of firms make complaints figures easily accessible. The desire to improve MIS is however strong, with the majority of firms aiming for best in class capabilities by 2016.

9 THE DIGITAL REVOLUTION IS WELL UNDERWAY

While mobile technologies are still at a nascent stage, it will be very much the norm for clients to be able to communicate with their institutions or access portfolio information via a mobile device within three years. Social media development is more tentative, but is set to soar in relative terms over the next three years.

10 FRONT OFFICE AND REPORTING PLATFORMS SHAPING UP TO BE KEY

Most firms' ebusiness capabilities are average at present, but the vast majority of COOs have clear ambitions to have best in class capabilities by 2016. Reporting platforms are a major area of development, with customisability and aggregated statements the biggest areas of focus. Enhanced reporting is increasingly seen as a key differentiator.

1 TECHNOLOGY AND OPERATIONS SPEND AND FOCUS - A TENTH OF FIRMS INVESTING *VERY* HEAVILY INDEED

SPENDING LEVELS – BROAD OPERATIONS AND TECHNOLOGY SYSTEMS

The survey indicated that quite large amounts have been invested in operations and technology over the past year and similar amounts have been earmarked for investment this year and next.

OPERATIONS INVESTMENT LEVELS

Looking at operations investment (excluding headcount), around 60% of firms have invested or will invest up to $5 million a year over 2012, 2013 and 2014 – an amount which may seem relatively modest as a one-off but which is far more hefty when viewed as a sum invested year after year by institutions. More noteworthy however are the roughly 10% of firms which have or will be investing sums in excess of $50 million a year in their operations activities.

OPERATIONS INVESTMENT PRIORITIES – GLOBAL VS ASIA-PACIFIC

As Figure 2 indicates, COOs are juggling a wide array of priorities when allocating their operations budgets. As expected, fulfilling regulatory requirements is a top priority globally, and even more so in the Asia-Pacific region (various clampdowns by Asian regulators have been well-publicised recently). Rounding out the top five priorities globally are: cost reduction/enhancing efficiency; improving the client experience/retention; updating/integrating new systems; and ensuring client data security. In Asia-Pacific, meanwhile, data security seems to be slightly less of a priority, while improving risk management (be that reputational/fraud/operational in nature) is a far greater area of focus.

FIGURE 1

What is your organisation's spend on operations (excluding headcount) for years ending 31 December 2012, 2013, 2014

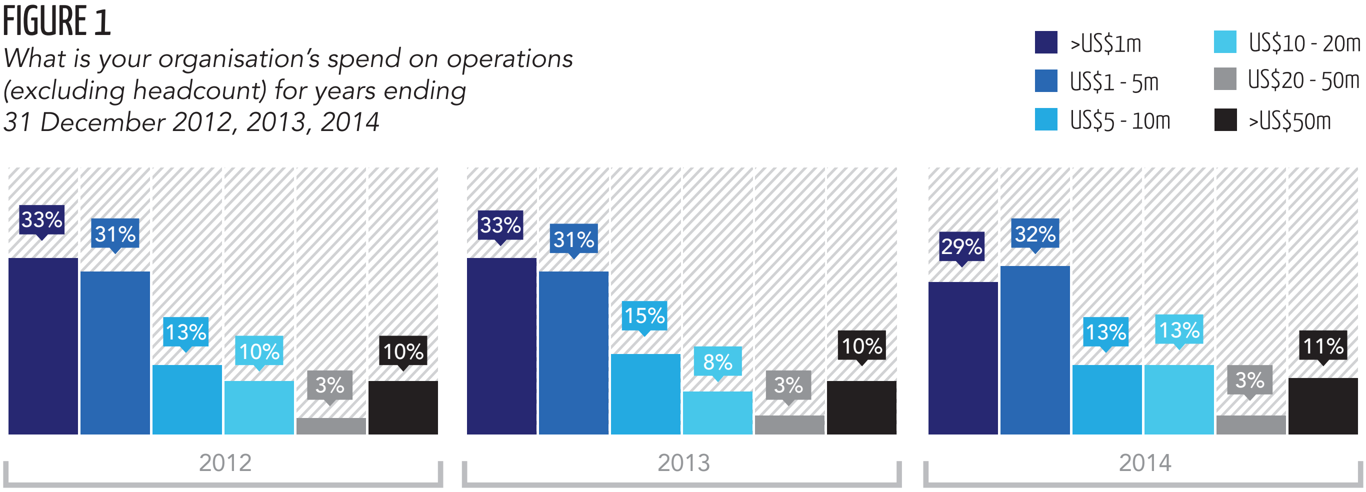
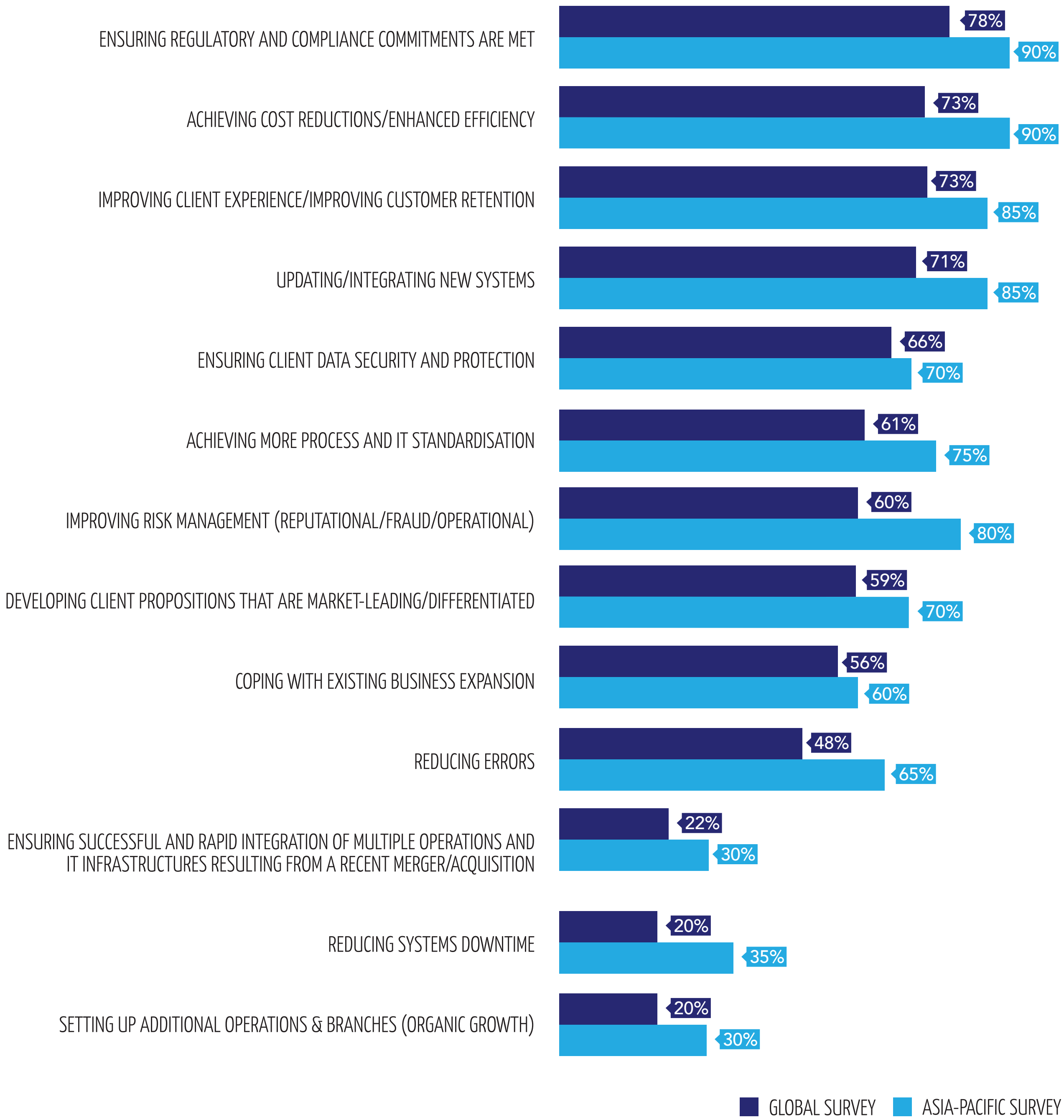


FIGURE 2

What do wealth managers view as important/very important priorities for allocating their operations budgets?



TECHNOLOGY INVESTMENT LEVELS

Turning to technology, again the majority of firms are making/ will make a relatively modest yet consistent yearly investment of up to $5 million. Again however, some firms appear to be making very significant technology investments indeed, with close to one in ten allocating upwards of $20 million per year.

TECHNOLOGY PRIORITIES – GLOBAL VS ASIA-PACIFIC

As Figure 4 illustrates, a wide range of technology priorities are seen as being very important to wealth managers today. However, as with firms' priorities for deploying their operations budgets, there is a degree of divergence if we compare technology priorities globally with those specific to the Asia-Pacific region. Achieving greater automation for onboarding new clients is a much bigger priority for Asia-Pacific firms, for example, as is improving MIS (the booming numbers of HNW individuals in the region taking up wealth management services for the first time is no doubt behind this).

FIGURE 3

What is your organisation's spend on technology (excluding headcount) for years ending 31 December 2012, 2013, 2014?

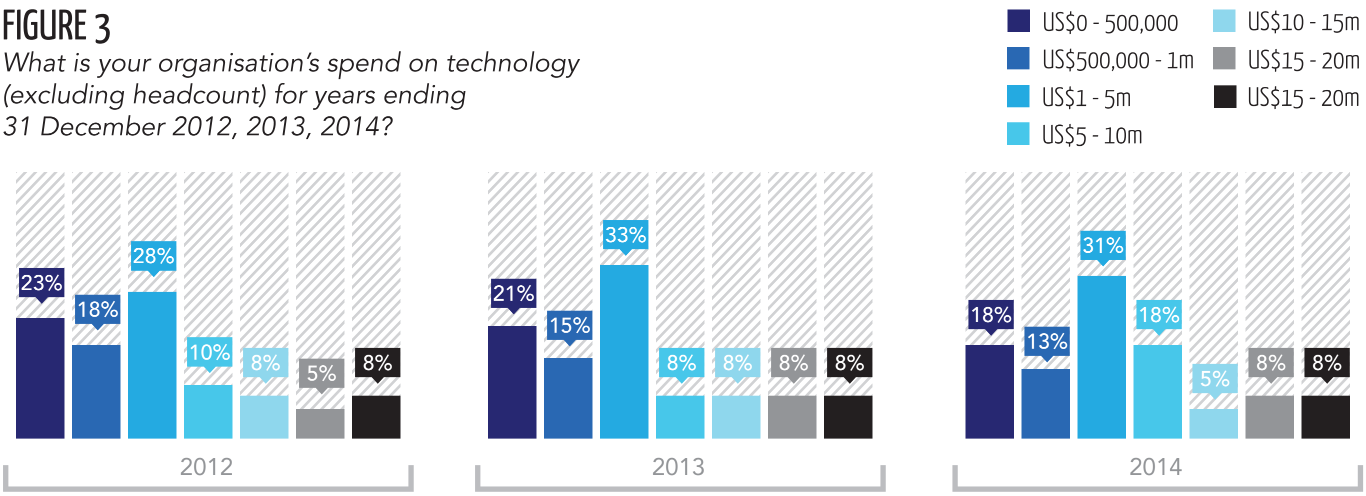
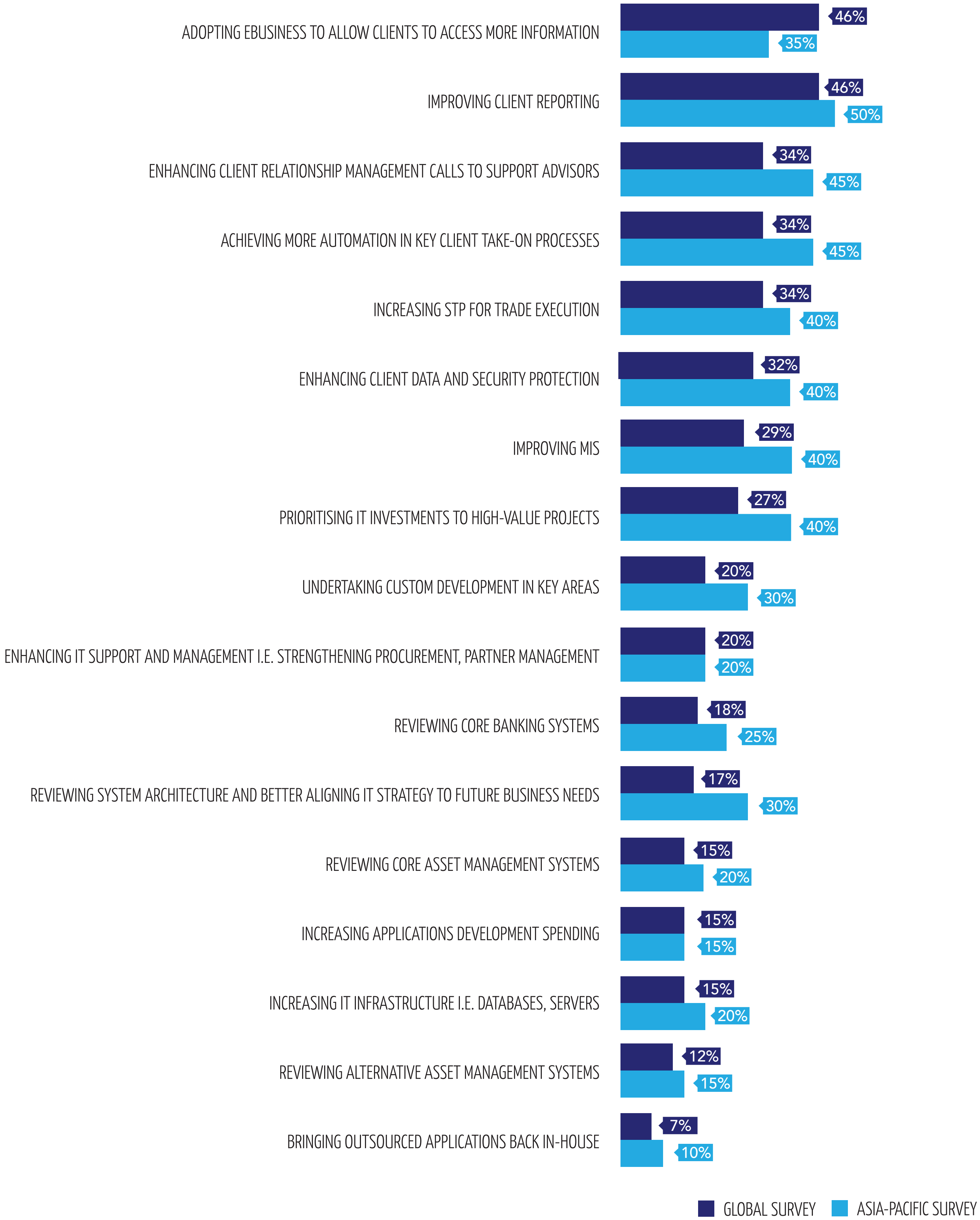


FIGURE 4

Technology priorities which wealth managers see as being very important

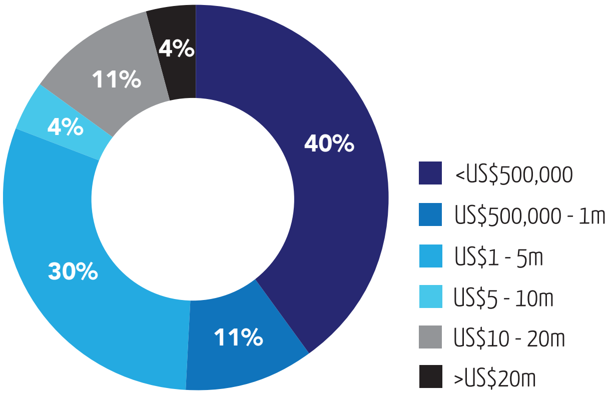


SPENDING LEVELS ON THIRD-PARTY CORE SOFTWARE

A significant majority of institutions are currently spending up to $5 million annually on third-party core software to run their investment operations. But again, several firms are spending far greater amounts, with around a tenth allocating $10-20 million per year.

FIGURE 5

How much does your institution spend on third-party core software to run its investment operations?



On a three-year view we can expect spending on third-party core software to increase (or at least remain stable) for the vast majority of institutions, with just a tenth of respondents anticipating a decrease over the next three years.

The stable or rising spend anticipated at almost 90% of institutions is expected to shift from dedicated websites to multi-channel platforms in order to support clients' mobile devices. By 2015 industry analysts expect three out of five wealth managers to offer their clients mobile capabilities – a tripling of today's figure.

FIGURE 6

How will your institution's spend on third-party core software to run its investment operations change over the next three years?

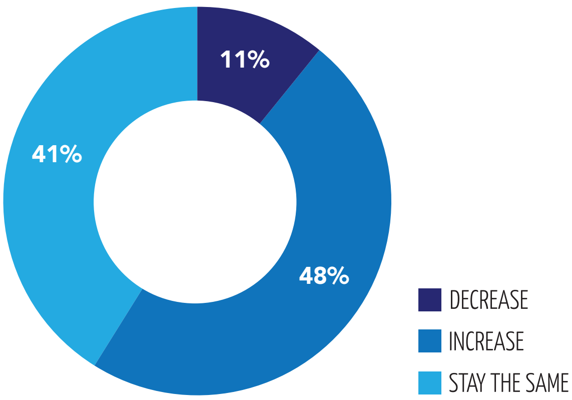
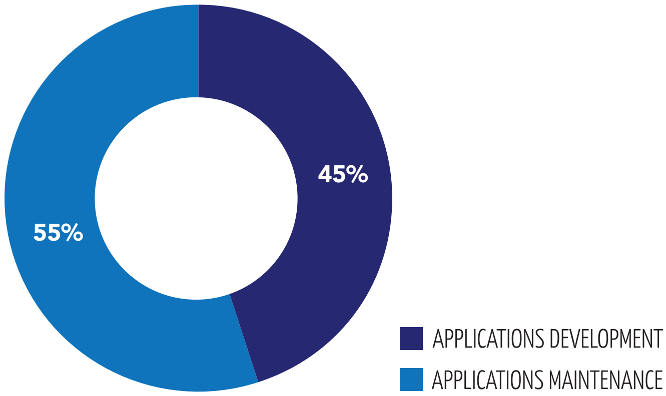


FIGURE 7

Approximately how is your organisation's spending on technology split between applications development spending and maintenance?



The survey indicates that when it comes to technology spend a significant shift towards applications maintenance over development has occurred. On aggregate, the split today is 45/55% in favour of maintenance of existing systems, while in the past anecdotal evidence suggests that maintenance accounted for 70-80% of spend.

15% of wealth managers see increasing applications development spending as a very important technology strategy.

It is certainly encouraging to see that a greater proportion of funds are now being funnelled into the development of new applications, and this may well indicate that many firms are now reaping the rewards of past investment and no longer need to make ongoing improvements so regularly. That said, against the backdrop of an industry-wide focus on developing mobile capabilities and enhanced reporting and risk-profiling systems, this shift away from the maintenance of existing applications towards the development of new ones still has a way to go.

Downtime is a real issue...
36% of respondents globally report that there are inefficiencies due to system downtime at their organisation. In Asia-Pacific the picture is even more troubling as 47% of firms suffer from inefficiencies due to downtime. Correspondingly, 20% of respondents globally said that reducing systems downtime is an important or very important priority for allocating operations budget; in Asia-Pacific the corresponding figure is 35%.

2 WEAKNESSES REMAIN DESPITE A FLURRY OF RECENT UPGRADES

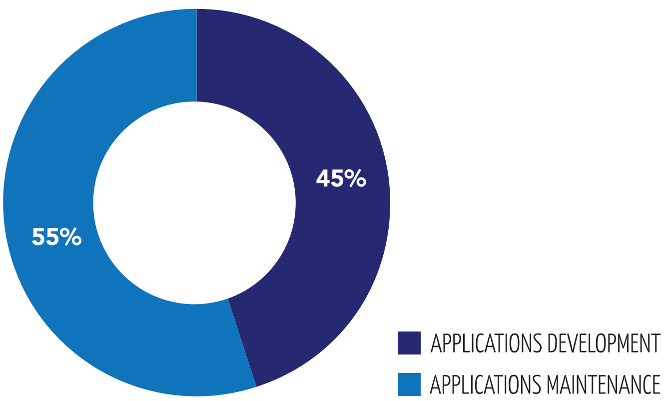
CAN WEALTH MANAGERS AFFORD TO INVEST AS REQUIRED IN NEW IT SYSTEMS AND PROGRAMMES... CAN THEY AFFORD NOT TO?

Wealth managers are in a quandary as they seek to invest in new systems and upgrades to deliver cost reductions and operational efficiencies in an environment where there is ever more pressure on budgets, including those of their own departments. With profits and margins under pressure, a number of wealth managers are well aware that they need to make changes and improvements, but are loath to do so because of both the cost of the changes and also the P&L effect of the depreciation that accompanies such spend. However, given the wide-reaching regulatory pressures and demands from clients and relationship managers, they have little choice. In particular, regulatory spend is no longer considered "discretionary" - it is now business critical.

As Figure 8 shows, currently, significant proportions of both IT and operations budgets are allocated to "Business As Usual" maintenance rather than new developments (the split is around around 55/45% in favour of maintenance). Successful wealth managers of the future are seeking to change this split around, reducing and automating the plethora of manual systems in order to free up time and investment to meet new business requirements.

FIGURE 8

Approximately how is your organisation's spending on technology split between applications development spending and maintenance?

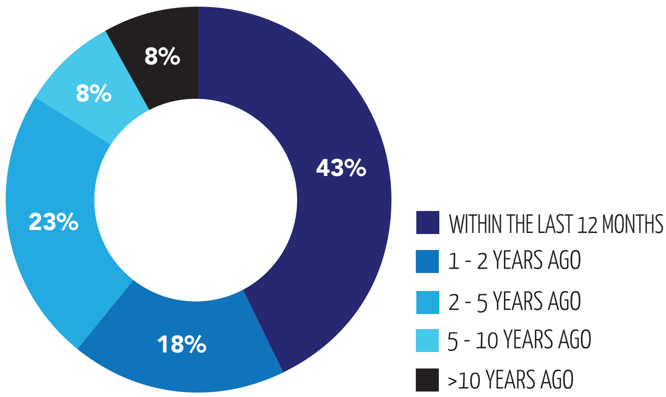


WEAKNESSES REMAIN DESPITE A FLURRY OF RECENT UPGRADES

As wealth managers have moved to meet the multitude of challenges facing the industry (including, but of course not limited to, those addressed in Figure 24), a significant proportion of firms have implemented a major systems upgrade programme quite recently. In fact, those which have not are firmly in the minority. As Figure 9 illustrates, nearly half of institutions have overhauled their systems in the past year and over eight in ten have done so in the past five years. Less than a tenth of firms have not carried out a systems upgrade within the past decade, a fact which is unsurprising when we consider the regulatory upheaval which the industry has faced on an international scale, to mention just one disruptive factor.

FIGURE 9

Please indicate when your organisation last undertook a major systems upgrade programme.



SOME SYSTEMS ARE BARELY FIT FOR PURPOSE

While the vast majority of institutions have upgraded their systems fairly recently, it would appear that in a lot of cases further changes are still needed to bring their capabilities up to scratch or even to achieve "best in class" status, in a number of areas.

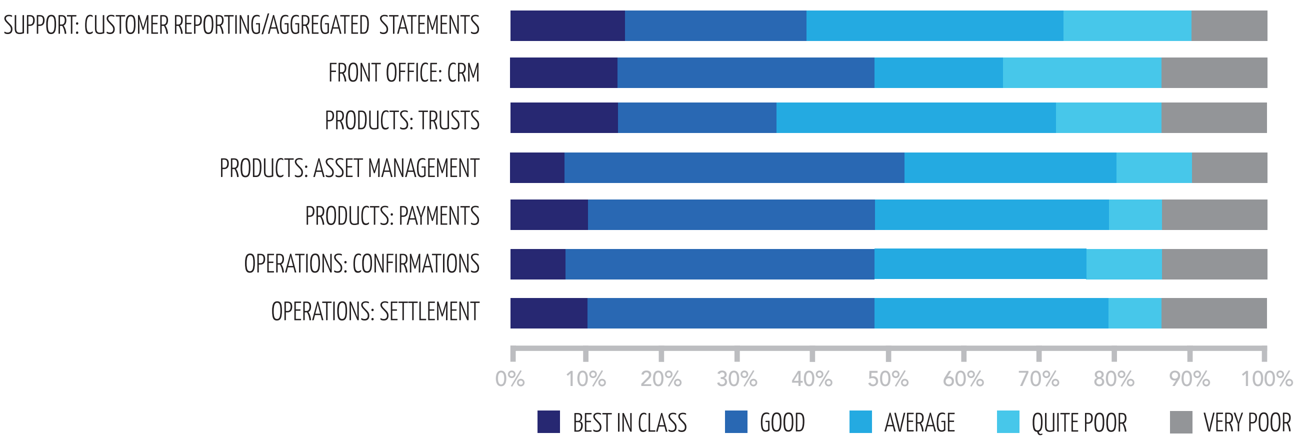
To explore this issue, the survey participants were asked to rate their firm's current technology capabilities across a range of front office, product, operations and support functions, then to indicate where they are aiming for these capabilities to be in three years.

AREAS OF CURRENT STRENGTH

What emerged very strongly is that very few wealth managers have best in class capabilities for any of the functions under discussion, as only around a tenth of respondents gave their firm the full 5/5 rating in any of the categories. The three biggest areas of excellence were front office - CRM systems; products – trust; and support – client reporting/aggregated statements, but even here only 14 per cent of participants in each case said their current capabilities are best in class. However, if we widen the category to good/best in class, a slightly different picture emerges. On this basis, firms' strongest capabilities are in products – asset management, for which just over half of respondents said their firm's capabilities are good/best in class. Close behind were: products – payments; operations – confirmations; operations – settlements; support - client reporting/aggregated statements; and front office – CRM. In these areas just under half of respondents rated their firm's capabilities as good/best in class.

FIGURE 10

Areas of current technological strength: How do your firm's technology capabilities currently stand in the following areas?



AREAS OF CURRENT TECHNOLOGICAL WEAKNESS:

Turning to the areas where the participants felt their firm's technology capabilities are particularly weak, we see that products – derivatives and products – commodities are deemed to be very poor at over a third of institutions. Products – banking fared little better, while a quarter and a fifth of participants respectively singled out products – alternative funds and support – collateral management as being areas of real technological weakness at their institution.

FIGURE 11

Areas of technological weakness: How do your firm's technology capabilities currently stand in the following areas?

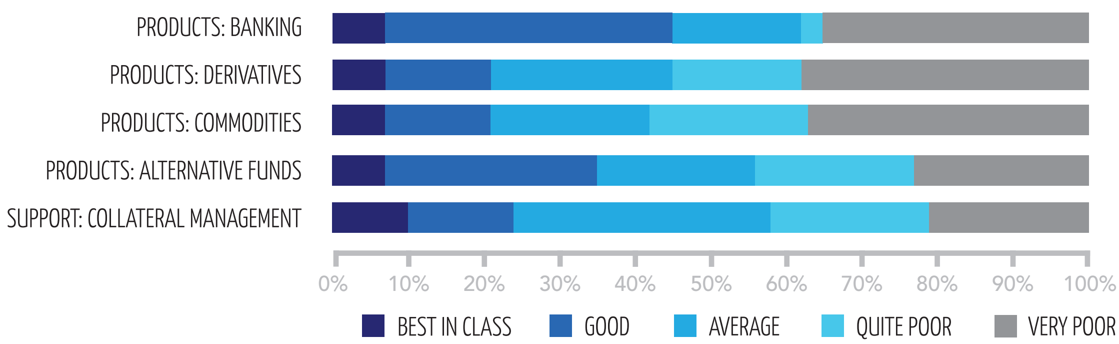
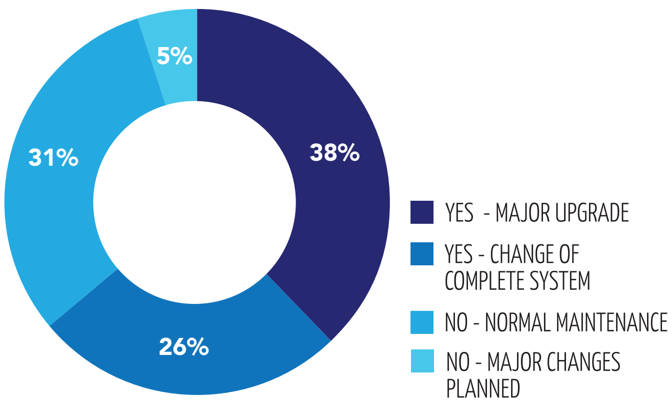


FIGURE 12

Proportion of firms planning a systems upgrade within the next three years.

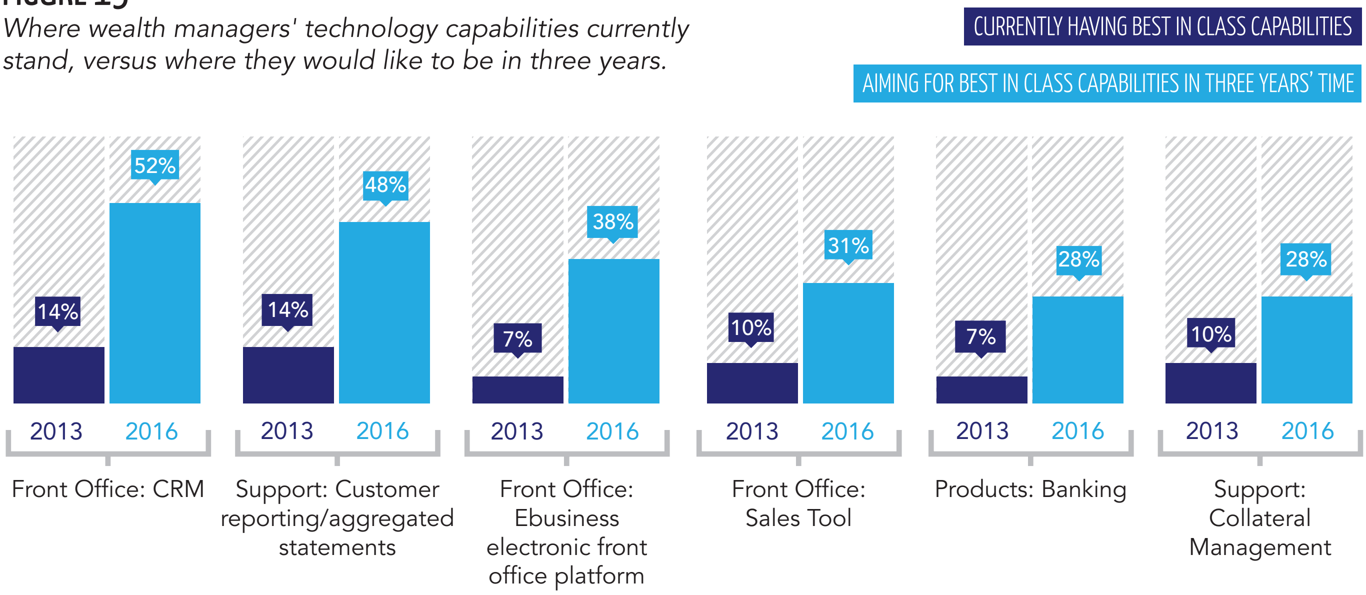


PLANNED UPGRADES

In light of the various weaknesses currently manifest in wealth managers' technology capabilities, it is unsurprising that the majority of firms are planning systems overhauls in the next three years – this despite the fact that eight in ten have already made an upgrade in the past five. An aggregated 64% of institutions plan either a major upgrade or complete change of system by 2016 – although as Figure 12 indicates, they may well have little idea at present of which provider they will eventually opt for, the vast majority being unable to differentiate between products very well.

FIGURE 13

Where wealth managers' technology capabilities currently stand, versus where they would like to be in three years.



In broad terms, we can expect a dramatic change in the quality of firms' technological capabilities across a range of areas over the next three years, but it is not surprising that they are concentrating on ebusiness, CRM systems and enhanced reporting. As discussed elsewhere in this report, improving the user experience is high on the agenda throughout the industry and clear, concise and customisable reporting and ease of doing business electronically are rapidly shaping up to be key differentiators in today's competitive landscape. Wealth managers' ambitions for their CRM systems are also understandable given the myriad disruptive influences affecting the industry at the moment. Not only are clients comparing their service provision more openly now due to today's "comparison culture" but regulatory moves towards greater cost transparency mean that (in an environment where wealth protection is taking precedence over returns) firms are focusing more on their service standards than ever before – and consistently high service levels are their aim. Enhanced CRM systems which help advisors to deliver this across what in many cases is a book numbering hundreds of clients and which are more helpful in terms of structured client planning are therefore naturally high on firms' shopping lists.

3 CLOSING THE KNOWLEDGE GAP - A REAL OPPORTUNITY FOR DIFFERENTIATION

MAJOR SYSTEM UPGRADES HAVE OCCURRED AND MORE ARE EXPECTED

While over 80% of firms have made major systems upgrades in the past five years, it is clear that a large proportion of wealth managers are looking to overhaul their technology systems still further to address the fact that so many elements of them seem to be far from market-leading, and in many cases actually poor.

As might be expected, the industry-wide movement to improve technology systems (which has undeniably been building in momentum over the past few years) has meant that just under half of those surveyed have carried out a "beauty parade" or assessment of providers in the last two years.

Technology providers will no doubt welcome the fact that wealth managers have been actively "shopping around" in recent years, but what will probably surprise them is that despite this the survey participants admitted to a real lack of knowledge about the various products available to them

TECHNOLOGY PROVIDERS NEED TO MARKET THEMSELVES BETTER

As Figure 14 shows, the vast majority of respondents were unable to rate any of the major technology systems on the market and in several cases north of 90 per cent were unable to give a view on a particular product – and this was from COOs.

So, while budget-holders know that they need to invest in their technology systems, there seems to be an urgent need for them to be better informed about the relative merits of each available product – clearly a massive opportunity exists for technology providers which can meet this educational need. Openness to new providers doesn't seem to be the issue so much as a need for education and for providers to articulate what differentiates their products more volubly.

NO STANDOUT SOLUTION IDENTIFIED... BUT WOULD BE WELCOMED

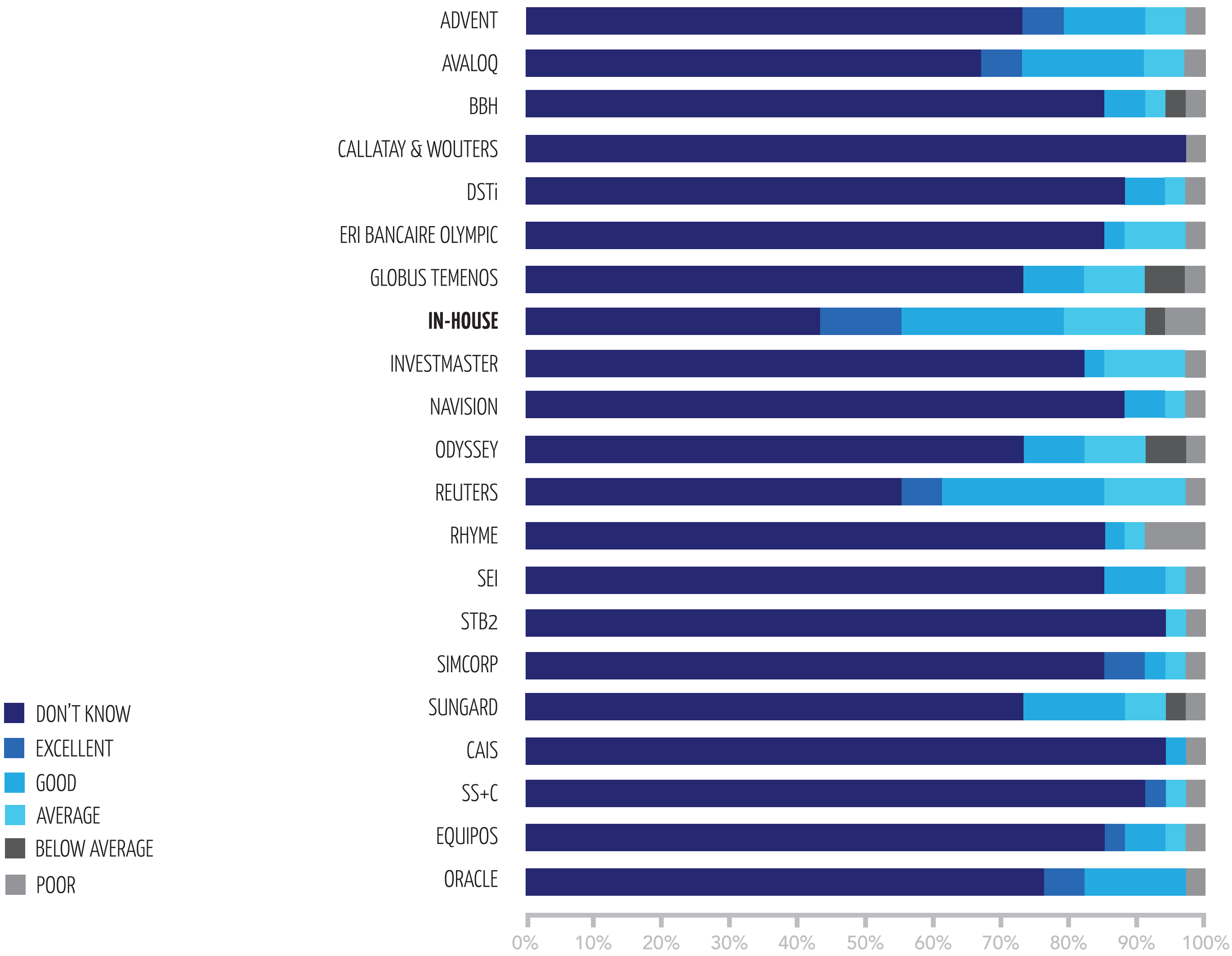
It is clear from the survey that there was no standout system in terms of which were rated as being good or excellent, bar, that is, in-house systems which were rated as good/best in class by an aggregate 36 per cent of respondents. Of course, there may be some element of selection bias in this finding, but the survey participants clearly seem to feel that a bespoke proprietary system may be better for their organisation than an "off the peg" solution; indeed, industry sentiment seems to be that while there are a plethora of banking platforms available, few are as precisely tailored towards wealth management institutions as they might be, or, if they indeed are, they are not marketed very assertively as such.

Again, a huge opportunity seems to exist for those providers which can convince wealth managers that their systems can deliver exactly what individual institutions need. The fact that developing proprietary systems can be incredibly costly and risks firms not being able to upgrade/add modules as they need to in future hardly needs to be stated; nor does the fact that - in an industry likely to go through further consolidation - a wealth manager using a well-known, robust technology system may well be a more attractive M&A target than one with a somewhat arcane proprietary one.

49% of the survey participants have carried out a "beauty parade" or assessment of service technology providers in the past two years.

FIGURE 14

To the extent that you are able, how would you rate these main technology systems?



4

HOW WELL ARE BUSINESS AND TECHNOLOGY TRANSFORMATION PROGRAMMES MANAGED?

The report identifies that there will be significant further investment in the IT and operations of wealth managers. A key driver remains the need to realise further cost and efficiency gains, but there are also regulatory drivers and pressure from clients for better reporting and use of new media for a more interactive communication experience (only 14% of COOs would say their firm boasts best in class reporting capabilities at present, for example).

There has also been a not inconsiderable spend on IT and operations over the last few years (almost a quarter of survey respondents said their firm spent over $10 million in 2012) and the benefits have not in all cases come through: as Figure 16 shows, only 36% of COOs consider that the investment over the past two years has resulted in significant efficiency and cost savings, with 58% indicating only a slight improvement. Given the significant anticipated spend over the next few years this should be an area of key focus for management.

AREAS OF STRENGTH

When it comes to how institutions manage their business and technology transformation programmes, the survey revealed some striking differences in how various elements are handled. It would seem that firms are on the whole very good at making sure that the roles and responsibilities of those concerned are clearly defined and understood; wealth managers are also broadly speaking efficient at engaging their workforces positively in these changes. They are aware, no doubt, that ensuring staff buy-in is vital for the success of any kind of change programme. It is also the case that as the primary interface between the institution and its clients, staff have to be able and willing to “sell” any changes to clients – it can, after all, be very disconcerting for end-users when they have to make the change over to a new platform when they may have used the old one happily for many years.

As might be expected, institutions are also good at recognising and managing risks proactively, and implementing clear governance for the project – they are, after all, often spending very significant sums and making changes in business-critical areas. Projects being delivered on time and on budget is also another predictable area of strength as these are highly-visible KPIs.

FIGURE 16

Thinking about the last two years, has your investment in systems led to greater efficiency and cost savings for your organisation?

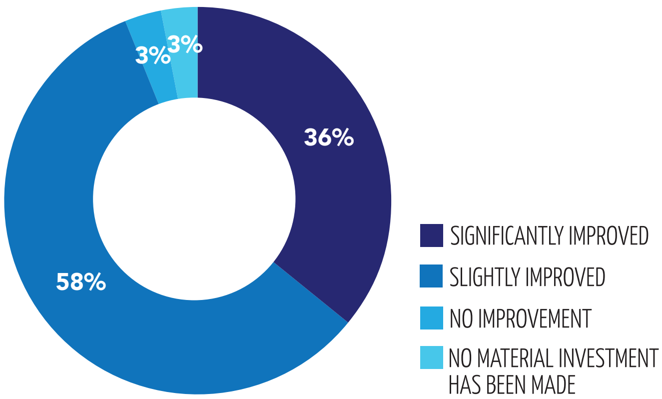
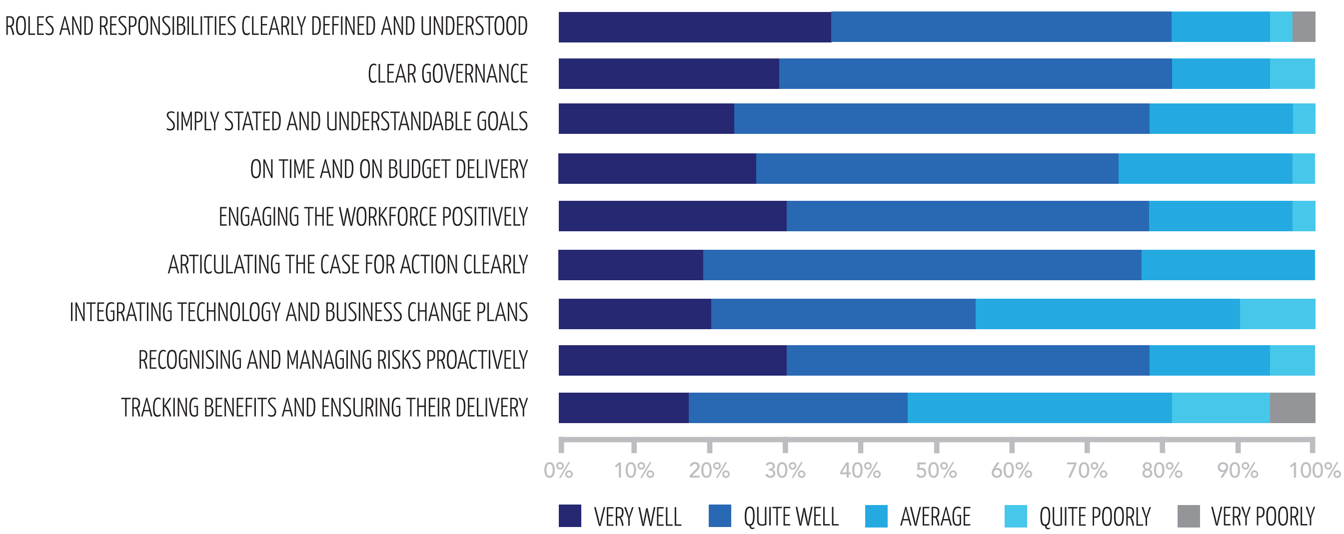


FIGURE 15

In your opinion, how well does your institution manage business and technology transformation programmes in the following areas?



AREAS OF WEAKNESS

Across the various elements addressed in Figure 15, roughly eight out of ten respondents think their organisation manages business and technology transformation programmes well. It seems however that there is real need for wealth managers to improve the way in which they track and ensure the delivery of the benefits expected to be captured by the transformation programmes they undertake. This is seen as being done very well at just a small proportion of firms, with most being only average in this regard, despite the obvious importance of tracking what changes actually "do" for the organisation.

Other areas where firms are seen as being similarly weak are in the integration of business and technology change plans, and the clear articulation of the case for action.

TRANSFORMATION GOVERNANCE STILL FAILS TO ASSURE BENEFIT ACHIEVEMENT

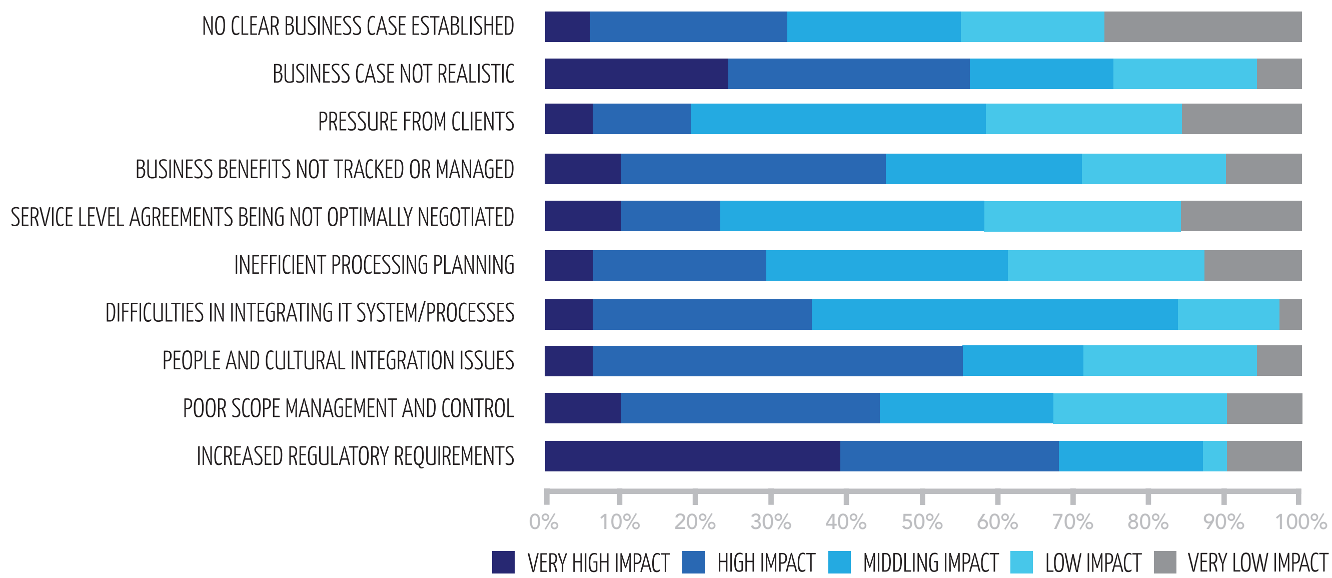
While firms will doubtlessly embark on business and technology change programmes with high hopes, they often do not lead to quite the expected level of benefits or cost savings being actually achieved. By a wide margin, the most common reason cited for this was the increased regulatory burden facing the industry internationally – an issue which is not going away and which is affecting markets and business models across the board. Another barrier to success seems to be people and cultural integration issues, although the respondents didn't feel quite as strongly about this.

One really striking finding for this question is that over half of respondents simply feel that the business case was not realistic in the first place (although in general they were felt to have been clearly established).

The real issue is that many firms don't manage their transformation programmes and approach in a structured, sequenced and systematic way and therefore they miss key stages and these gaps don't always surface until it's too late. The key is that good transformation design, planning and programme management and tracking can prevent poor performance - Ian Woodhouse, director within PwC's EMEA global private banking practice

FIGURE 17

In instances where your institution has not achieved the expected level of benefits or cost savings, what level of impact do you feel the following factors had in causing this failure?

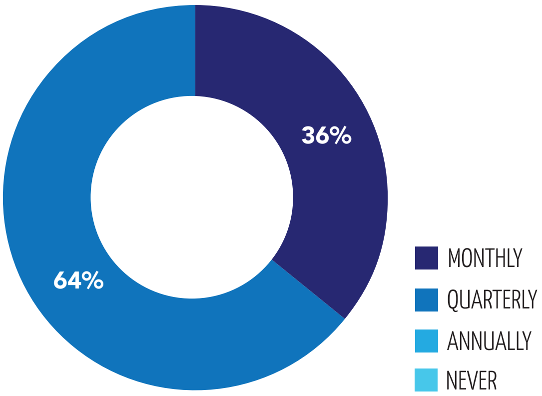


5 WHAT ARE THE BIGGEST CHALLENGES WEALTH MANAGERS CURRENTLY FACE IN MOVING FORWARDS IN OPERATIONS AND TECHNOLOGY?

The importance of IT and operations to their future success is well understood by wealth managers and why it is a standing agenda items of boards, at least quarterly and often monthly.

FIGURE 18

How often is technology and operations on your board's agenda?



As Figure 19 shows, the biggest operations and technology challenge wealth managers currently face is fulfilling current and future compliance and regulatory requirements. Regulation in fact came out way in front of the next-closest runners (concerning a lack of ebusiness solutions, clients being sent too many paper statements and an inability to provide aggregated client reporting) and this is probably to be expected in light of the plethora of regulations which either came into force this year or which will do soon.

Several other areas were however cited as a major challenge by around a fifth of respondents, and these spanned a number of business areas. Manual processing - which is not only prone to error but often involves the duplication of work – continues to be a major challenge facing firms (although reliance on manual input is certainly dwindling). Another big challenge identified was the need for firms to better align their IT and operations with business strategic priorities and this ties in with the fact that 17% of respondents said that their firm regards improving its system architecture and the alignment of IT strategy to future business needs to be a very important technology strategy.

Along with transparency, another of the biggest operations and technology challenges facing firms was relationship managers not making enough use of technology. The need for relationship managers to leverage technology more seems to be quite a widespread problem, but what is less clear is whether this is a cultural issue (i.e. the result of pushback from advisors reluctant to use new systems) or down to a lack of user-friendly technology which really helps with their daily practice. When it comes to mobile capabilities, industry commentators note that there is a marked movement towards advisors bringing in their own tablet computers to facilitate client meetings where their employer does not provide one, and so it would appear that there is a real willingness to make better use of technology in at least some areas. The fact that client loading figures are as high as they currently are would suggest that really intelligent CRM systems (which integrate with diaries to create task lists and so on) would be welcomed by advisors, however for the moment such systems are by no means the norm.

A SLIGHTLY DIFFERENT PICTURE IN THE ASIA-PACIFIC REGION

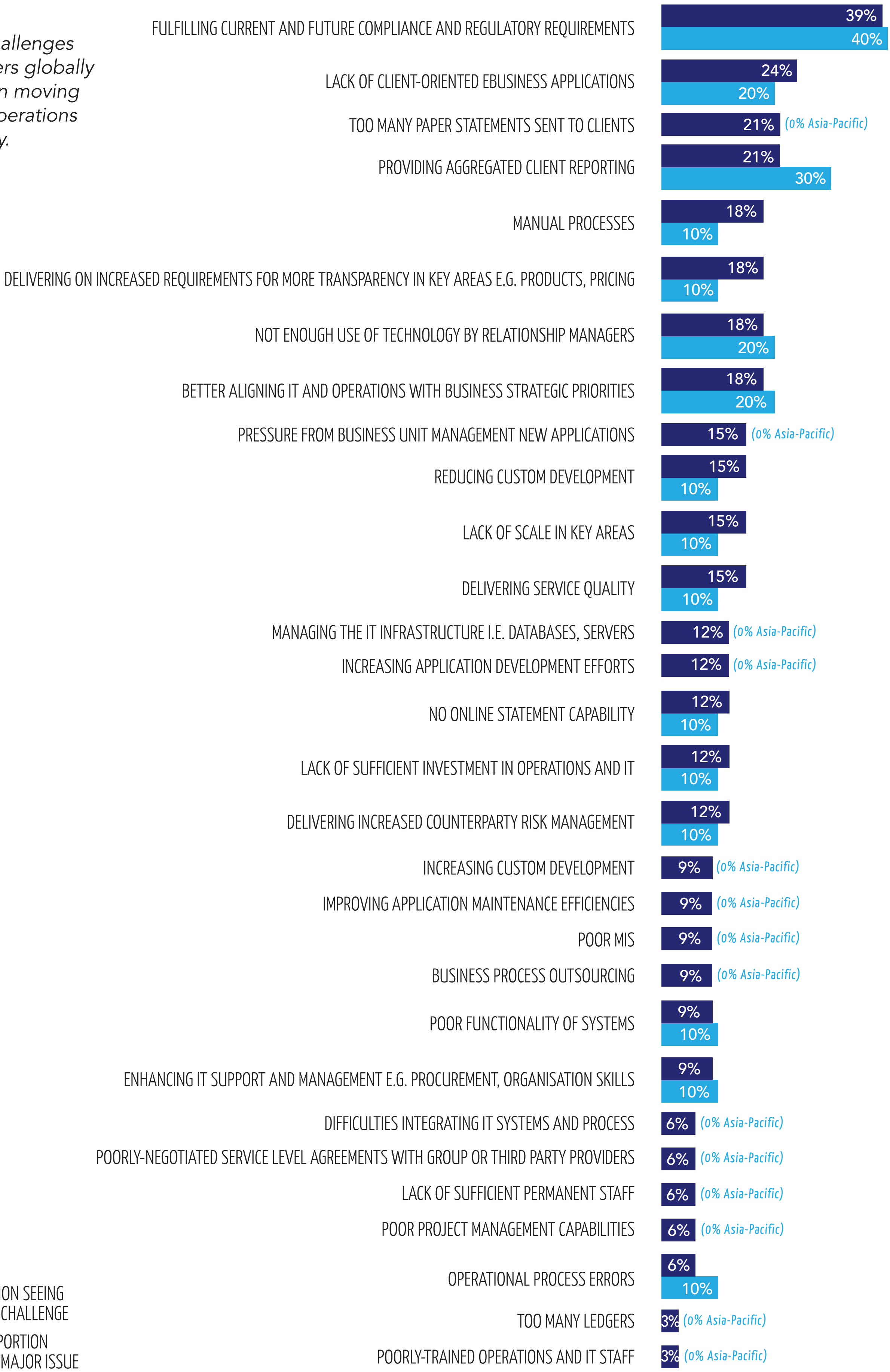
As for the global survey, Asia-Pacific wealth managers see fulfilling current and future compliance and regulatory requirements as the biggest operations and technology challenge they face – by a wide margin. The proportion of Asia-Pacific respondents seeing a lack of client-orientated ebusiness applications as a major challenge was similar to that of the global survey, and the same can be said of relationship managers not making enough use of technology and the need to better align IT and operations with business strategic priorities.

It does seem however that Asia-Pacific firms see certain challenges as being slightly more or less important, and it might well be that these differences are down to the relative immaturity of the wealth management market in the region and perhaps cultural variations. Asia-Pacific wealth managers place higher importance on the need to provide aggregated client reporting and we can see this in light of the fact that Asia-Pacific investors are generally thought of as being more "hands on" with their investments and therefore likelier to demand a complete overview of their assets. On the other hand, while a fifth of participants globally said too many paper statements being sent to clients was a major challenge no Asia-Pacific respondents identified this as a major issue. Here we could argue that firms in well-established markets are grappling with a mixture of online and paper statements of variable quality whereas those in Asia-Pacific have been free to start from a much more workable base whereby only essential documents are sent in hard copy format.

Globally, 69% of respondents said that fulfilling current and future compliance and regulatory requirements is a significant or major challenge facing their organisation.

FIGURE 19

The biggest challenges wealth managers globally currently face in moving forward with operations and technology.



GLOBAL PROPORTION SEEING THIS AS A MAJOR CHALLENGE

ASIA-PACIFIC PROPORTION SEEING THIS AS A MAJOR ISSUE

STAFF, SCALABILITY TOP LIST OF "NON-ISSUES"

Striking a very positive note, the survey suggests that staffing is not now an issue, even if it once was: an almost negligible number (2%) of participants see a lack of properly trained operations and IT staff as a major challenge today and a similarly low number cited a lack of sufficient full-time staff.

Another positive finding was how low in the hierarchy of wealth managers' problems scalability came, relative to how much of a problem it once was. Now it is seen by a major challenge by only 15% of respondents globally and even fewer in Asia-Pacific. The upsurge in cloud-based solutions is likely to have been a driver of this, and increasing numbers of wealth managers are seeing hosted systems as a viable way to capture efficiencies and get big capabilities for storing, managing and processing data without having to invest in so much local server hardware.

CAPACITY ISSUES TO RESURGE?

While scalability may not be perceived as one of the biggest challenges facing wealth managers now, this issue may rear its head again shortly – particularly in the Asia-Pacific region. As Figure 21 shows, currently half of Asia-Pacific wealth managers are operating at 81-100% capacity in terms of business volumes, but this is anticipated to rise to 65% of firms within three years. The figures were very slightly lower on a global aggregate basis but still indicate a strong need to invest to accommodate expansion now. This does seem to be taking place: around half of respondents said that coping with existing business expansion is a top priority when it comes to allocating operations budget at their firm.

Hosted or cloud-based reporting solutions can be implemented in weeks, not months. They drive massive cost savings and return on investment is very short. The cyclical nature of client reporting is ideally suited to hosted or cloud-based infrastructures, which offer rent-by-the-hour processing power – CEO of a client reporting and communications software provider

FIGURE 20

Global survey: *What percentage of operations capacity, in terms of business volumes, is your organisation currently operating at? What is the picture in three years' time?*

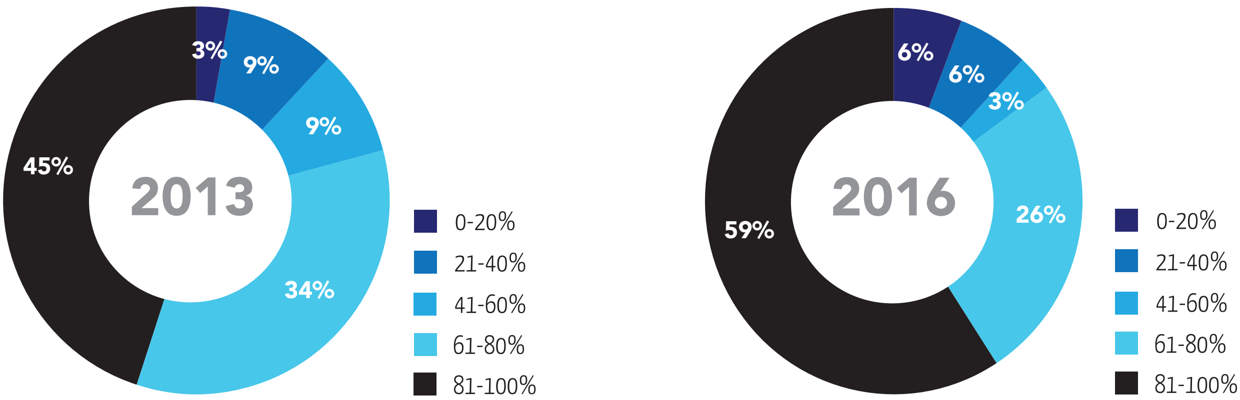
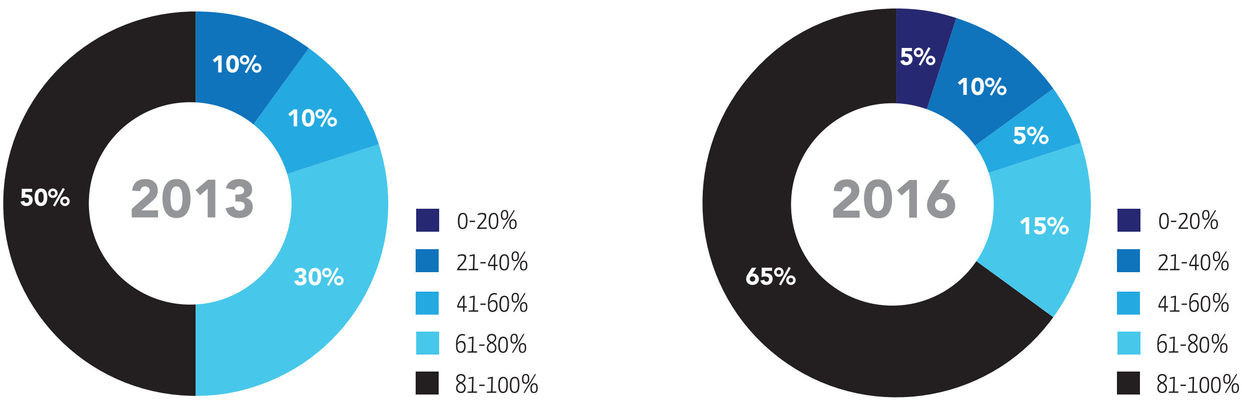


FIGURE 21

Asia-Pacific survey: *What percentage of operations capacity, in terms of business volumes, is your organisation currently operating at? What is the picture in three years' time?*



6 REGULATION - THE SPECTRE OF INCREASING OVERSIGHT CONTINUES TO LOOM LARGE

As wealth managers are all too aware, there has been a veritable tsunami of regulation over the last few years - and it is set to continue. Regulators around the world, in response to the challenge by governments to ensure that a similar financial crisis to that of 2008 "can never happen again" are enacting an ever more demanding framework on financial institutions, including wealth managers. Most require the collection, retention and reporting of data on clients and transactions in various jurisdictions and currencies – the demands of which can only be met through system enhancements.

This is why, as Figure 2 shows only too clearly, satisfying regulatory requirements is clearly taking up a big chunk of wealth managers' operations budgets, with half the respondents saying that ensuring regulatory and compliance commitments are met is a top priority when allocating funds. (Just 5% said it was low priority.) In fact, ensuring regulatory compliance came out quite a way in front of other business-critical priorities today, such as cost reduction and data security.

Increased technology investment also seems to be well-justified as in general regulatory reporting appears to be average at best: over half of respondents deem their capabilities in this regard to be average to very poor and under a tenth believe them to be best in class. The respondents do however have high ambitions to improve over the next three years, with a quarter aiming to have best in class regulatory reporting capabilities in place by 2016.

We can also expect transparency to be a big area of focus, since nearly a fifth of respondents said that delivering on increased requirements for more transparency in key areas is a very important challenge their firm faces in moving forward with operations and technology.

MIS – KEY COMPLIANCE DATA LACKING

As might be expected at a time when regulatory censure continues to hit the industry hard - in both financial and reputational terms - firms see regulatory compliance data as an extremely important management information priority. However, despite its importance, nearly half of respondents said their system was only average when it comes to delivering this information in a timely fashion. Similarly, around a quarter of respondents said their firm's capabilities were average as regards generating complaints data.

WHICH REGULATIONS WILL AFFECT OPERATIONS AND SYSTEMS MOST GOING FORWARD?

When asked to rate a range of regulatory requirements in terms of how much they will affect their operations and systems going forward, the survey participants' singled out suitability, FATCA and new capital requirements as developments which will have the most major impact. (The high impact anticipated from FATCA is unsurprising given the massive scope of the legislation; that it doesn't factor even higher still might be a function of the fact that many firms are drawing back from serving US clients as they view the associated compliance requirements as being too onerous).

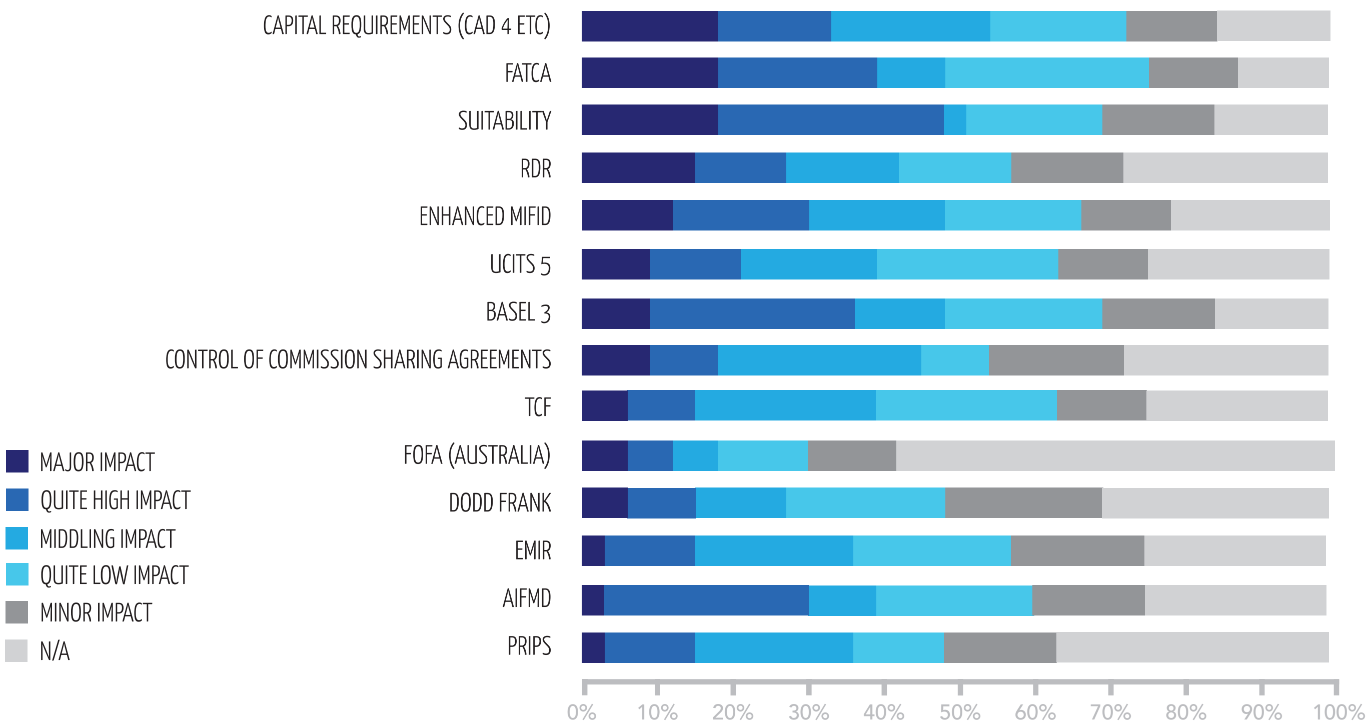
Also anticipated to have a major impact are the UK's Retail Distribution Review programme of reforms (which came into effect at the end of 2012 and stamped out the use of commissions in favour of pre-agreed fees) and the enhanced Markets in Financial Instruments Directive (MiFID II is expected to come into force either next year or in early 2015; among its proposals are reinforced provisions around investment advice, particularly in terms of whether it truly is "independent" and based on a whole of market view). UCITS V, Basel 3 and control of commission-sharing agreements were also cited by a tenth of participants as regulatory requirements likely to have a major impact on their firm's operations and systems.

The challenge is not just looking at the individual bits, it's the aggregated impact. And that is almost more difficult to do, because they are not all synchronised - COO at a Dutch wealth manager

Both globally and in the Asia-Pacific region, new capital requirements, suitability and FATCA are seen as the regulatory developments which will have the greatest impact on operations and systems going forward.

FIGURE 22

Global survey findings: *How significantly do you believe the following regulatory requirements will affect your operations and systems going forward?*

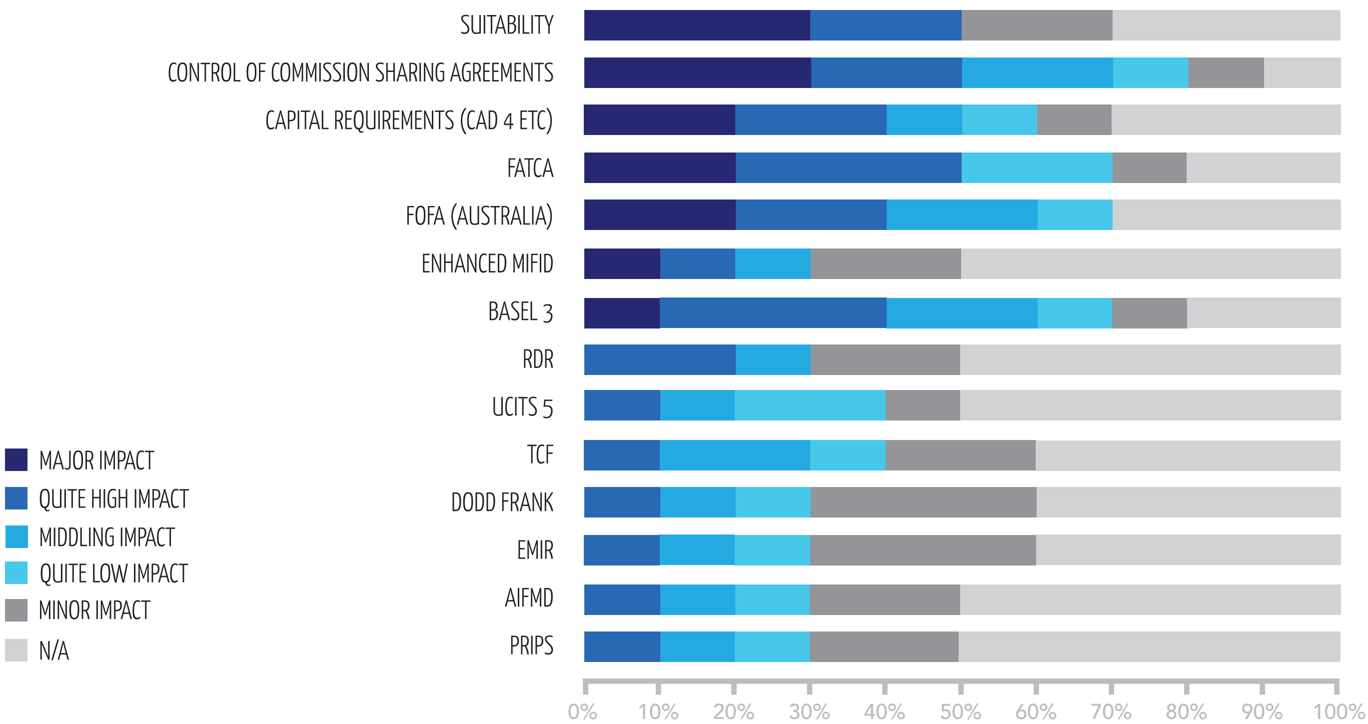


Slightly different concerns in Asia-Pacific...

Across the whole survey sample, suitability, FATCA and new capital requirements came top in terms of the regulatory requirements which the respondents see as having the biggest impact on their firm's operations and systems going forward. However, looking specifically at Asia-Pacific wealth managers a slightly different picture emerges: they see the biggest impact coming from suitability, control of commission-sharing agreements and new capital requirements. As might be expected, FOFA (the Australian government's financial advice reform package, which bans product commission among other changes) is higher on the radar of Asia-Pacific firms than the UK's RDR. FATCA, an unusually supranational piece of legislation, is also predictably in the top five most impactful pieces of regulation for Asia-Pacific firms.

FIGURE 23

Asia-Pacific survey findings: *How significantly do you believe the following regulatory requirements will affect your operations and systems going forward?*



AREAS WHERE READINESS NEEDS TO BE RAMPED UP, GLOBAL VS ASIA-PACIFIC

As Figure 24 shows, wealth managers still have some way to go in their readiness to meet the four key challenges of transparency, new capital adequacy requirements, the move to an advice-led model, and enhanced risk reporting. The global and Asia-Pacific pictures are broadly comparable, with enhanced risk reporting requirements having emerged as an area of weakness from both surveys, but with readiness in Asia-Pacific being slightly lower.

A BARRIER TO TRANSFORMATION PROGRAMMES - THE "HIDDEN" COSTS OF REGULATORY CHANGE

As well as the headline costs of coping with regulatory change, the survey revealed that the influx of new rules is having a significant knock-on effect on firms' ability to capture the anticipated benefits or cost savings from their business and technology transformation programmes.

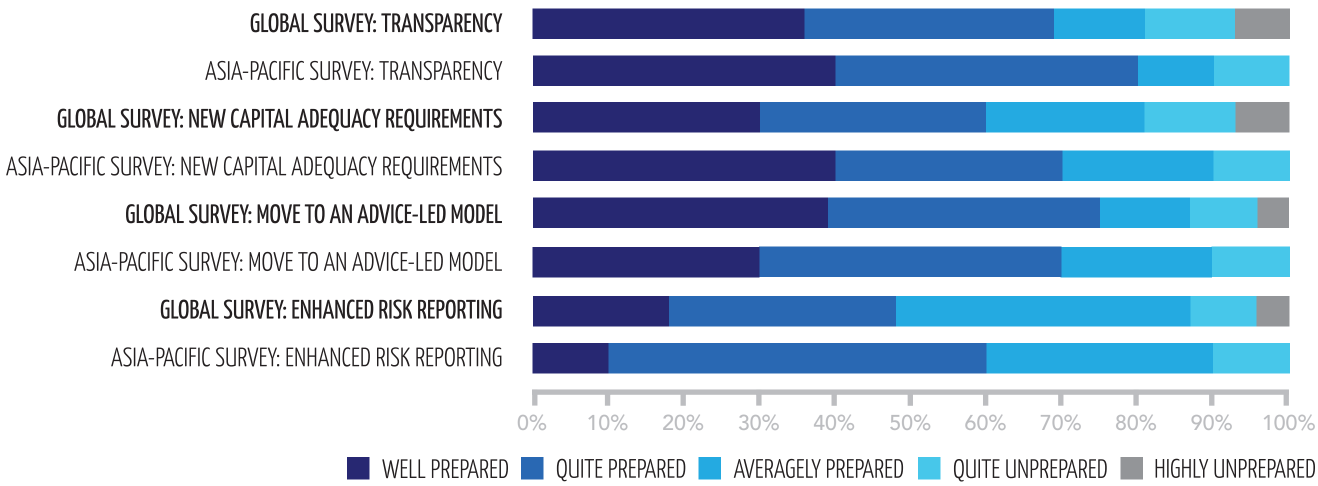
As Figure 17 shows, over a third (39%) of respondents to the global survey said that increased regulatory requirements have had a very high impact on their firm's ability to capture the anticipated benefits or savings from business and technology change programmes; a further 29% said the impact had been high, while only a tenth put the negative impact of increased regulation at a very low level.

Meanwhile, the survey participants overwhelmingly see achieving current and future compliance and regulatory requirements as the biggest challenge their firm faces in terms of moving forwards in operations and technology: 39% of respondents gave this the highest rating of importance, far ahead of the next most cited top challenge, a lack of client-orientated ebusiness solutions (24%).

It seems that the tightening vice of regulation continues to bite and the survey confirmed very strongly that this is one of the biggest challenges wealth managers face today. Ever-changing regulations are affecting every facet of firms' operations and systems - either directly or indirectly - and they are also proving to be a significant barrier to the success of change programmes.

FIGURE 24

How prepared is your firm to meet the following challenges?



Increased regulatory requirements have - by a wide margin - been the biggest contributing factor to firms not being able to achieve the expected benefits or cost savings from their business and technology transformation programmes.

7 OUTSOURCING – AN UNDERUSED BUT KEY METHOD FOR IMPROVING EFFICIENCY AND REDUCING COSTS

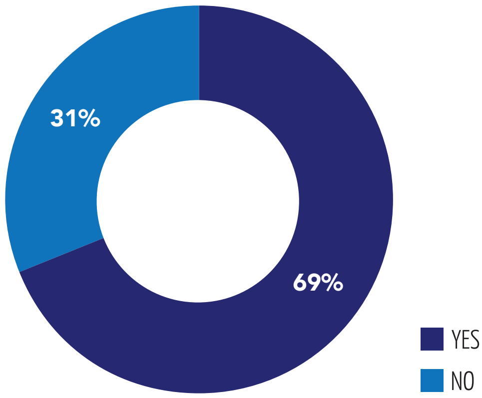
At present, the majority of respondents believe that outsourcing is less developed in private banking/wealth management than in other financial services sectors, and this is reflected by the fact that that pretty low numbers are choosing to outsource various business functions which are "obvious" candidates for it. The report does not indentify that wealth managers are going to radically change their approach to outsourcing, despite the fact that the "classic" reasons for outsourcing - cost savings, efficiency and quality improvement - are key priorities for the industry.

As might be expected, given the array of heavy-hitting custodians available globally, wealth managers appear to be most comfortable with outsourcing custody, with over half doing so now and a further tenth planning to do so in the next three years (indeed, the trend towards using multiple custodians continues to grow).

While there is a trend towards greater outsourcing in the next three years, this would only seem largely to apply to simple transaction processes like payments and settlements, with firms preferring to keep the handling of client data in-house.

FIGURE 26

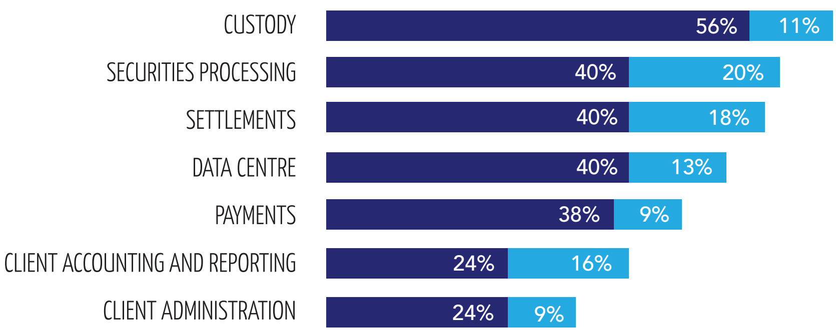
Do you believe that outsourcing in private banking/wealth management is less developed than in other financial services sectors?



In Switzerland, we do see that some banks outsource the whole custody business to a third-party provider (usually a larger bank). In addition, we see that banks also tend to source tax services (tax statements are being demanded more and more by clients) from one of the "big four" companies – a Zurich-based manager at an international professional services and consultancy firm

FIGURE 25

Are you currently or do you plan to outsource any of the following areas to either in-house or external providers?



NOW
WITHIN 3 YEARS

Only a quarter of firms currently outsource client administration and client accounting and reporting, and the outsourcing of these functions is expected only to rise by 9% and 16% respectively by 2016. Apart from the fact that transactions are the easiest type of function to outsource, it seems likely that wealth managers' reluctance to hand over client data might be down to privacy concerns. However, it is of course perfectly possible to anonymise client data, meaning that maybe this isn't as valid a reason not to outsource such functions as might be first thought.

OUTSOURCING CORE VERSUS NON-CORE PROCESSES

When it comes to wealth managers' priorities in terms of their organisational and process strategies, there is a clear divergence in the importance they attach to outsourcing core and non-core processes, with a quarter saying that outsourcing non-core processes is a top priority but only a tenth saying the same of core processes. Moving outsourced processes back in-house is also low down the list of firms' concerns, cited as being an important strategy by only 15% of participants.

A similar picture emerges as regards the technology strategies which are seen as most important: nearly half of respondents said that bringing outsourced applications back in-house is not important at all to their institution right now. This is, in fact, right at the bottom of their list of priorities.

On average, only 14% of firms are considering further outsourcing within the next three years.

FIGURE 27

Organisational and process strategies seen as being of the highest importance.

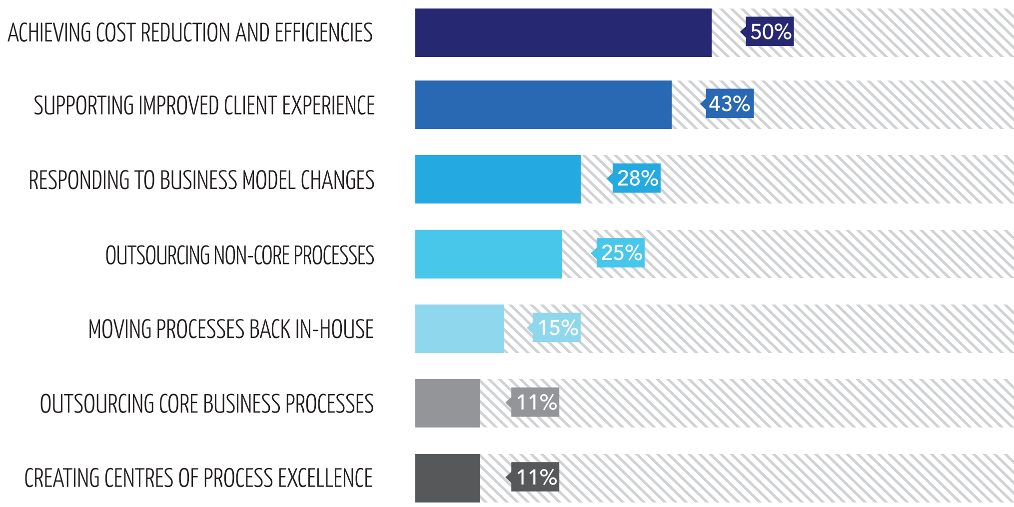
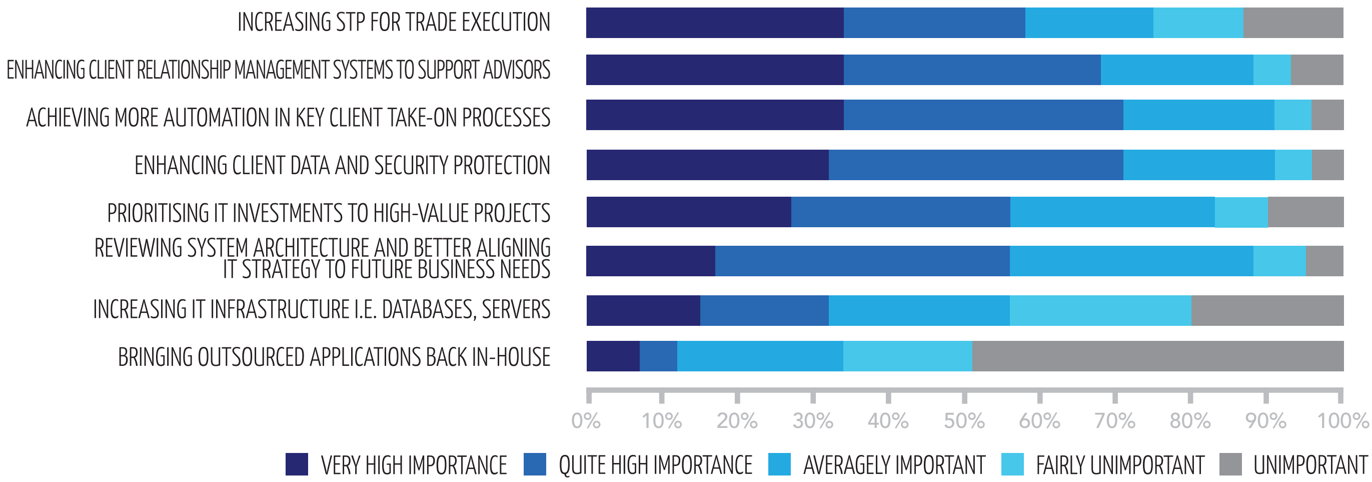


FIGURE 28

How important are the following key technology strategies to your organisation?



ARE OPERATIONS AND TECHNOLOGY KEPT COMPLETELY WITHIN YOUR WEALTH MANAGEMENT ENTITY?

At present, 53 per cent of respondents report that at their firm operations and technology are kept within the wealth management entity itself. In terms of how discrete these parts of the business are in general, nearly 83% share operations and technology with their parent group and nearly half outsource to an independent third party. Exactly half report that a mixture of in and outsourcing is deployed.

It seems that a large proportion of wealth managers do not have standalone systems and are dependent on sharing technology and operations with their parent group or outsourcing to a third party. Sharing technology and operations with a parent is arguably storing up trouble on several fronts since a sharing arrangement is unlikely to offer wealth managers the flexibility that they need because any changes will have knock-on effect for the group's systems. Also, because replacement costs will be very significant when at a group level, it might be that systems upgrades are much harder to push through in such cases.

The drag on efficiency and elevated costs caused by the fact that so many firms are grappling with a "patchwork quilt" of both legacy and shared in-house systems is clear. But paradoxically, it is often these very ties which mean that it can be difficult to outsource certain functions. It may call for hefty investment and radical organisational change but many argue that a root and branch overhaul of systems is required *first*, before outsourcing is a real option.

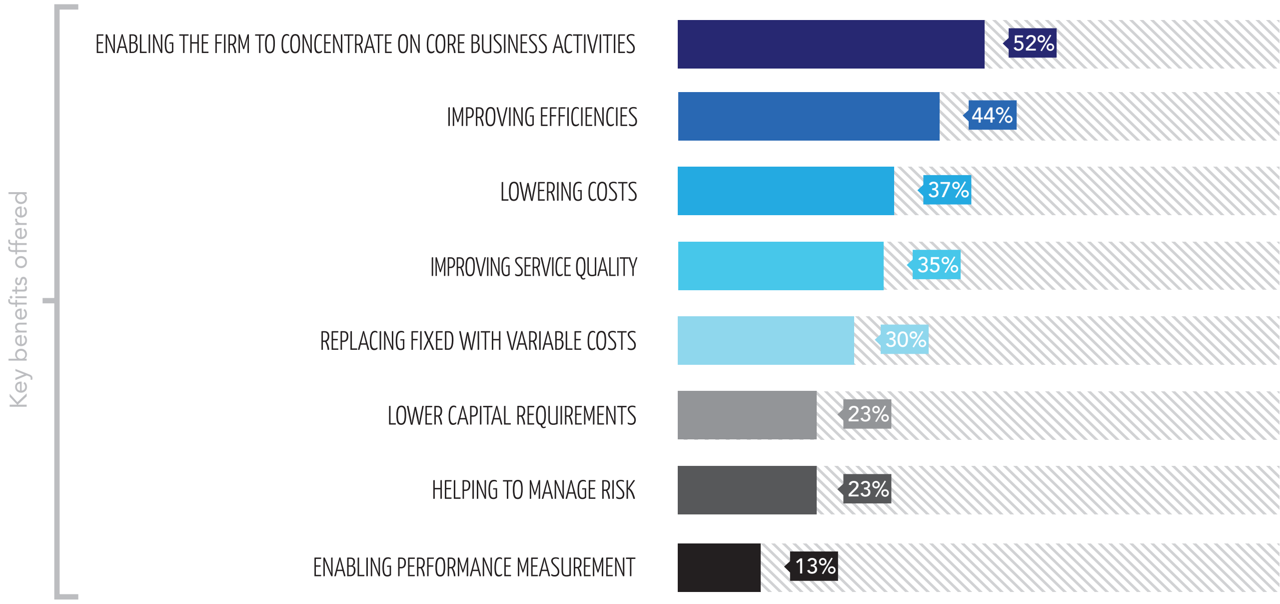
WHERE WEALTH MANAGERS ARE OUTSOURCING, WHAT BENEFITS DO THEY HOPE TO ACHIEVE?

Outsourcing still may be somewhat of a "slow burn" trend, but those wealth managers which have chosen to go down this route do seem to have a clear idea of the benefits they are trying to capture by doing so (either to in-house or external providers).

Top of the list of benefits firms are trying to achieve through outsourcing is greater freedom to focus on their core business activities, closely followed by efficiency improvements and a reduction in costs. Interestingly, nearly a third cited replacing fixed with variable costs and this could be seen as a further indication of just how seriously wealth managers are taking squeezing their cost bases now; the industry average cost/income ratio today stands at around 80%, and so it is easy to see why.

FIGURE 29

In areas where your firm is outsourcing to either in-house or external providers, what are the top benefits it is seeking to achieve? (Proportion who gave a very important rating)



8 MANAGEMENT INFORMATION SYSTEMS - MORE ACCESS TO DATA DESPERATELY NEEDED

Wealth managers today are being squeezed on several fronts, with downward pressure on margins accompanied by unprecedented levels of regulatory scrutiny and an ever more demanding client base. In stark contrast to the "boom" days before the financial crisis, clients are now focusing more on the preservation - rather than the accumulation - of wealth; an inflationary environment, lower risk appetite and a growing preference for low-cost passive products are making it harder for firms to deliver impressive returns for clients (and therefore top-level fees for themselves).

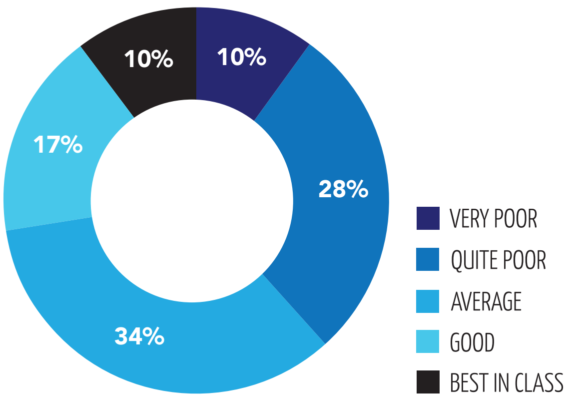
With profitability under pressure from so many fronts it is little wonder that wealth managers are increasingly being forced to re-examine and realign their business models for success in an environment which is both radically different to that which went before and which continues to evolve at a dramatic rate. A crucial part of carving out a successful business model to meet these challenges is the intelligent use of management information, and so the development of better Management Information Systems should naturally be a key area of focus.

DEVELOPMENTS AFOOT

As Figure 30 shows, at present nearly three-quarters of respondents would rate their firm's MIS capabilities as being average to very poor – despite the fact that almost 60% see improving MIS as a key technology strategy. This weakness is seen as a real barrier to institutions' ability to move forward on the operations and technology front, with roughly a third of respondents saying that poor MIS is an important or very important challenge that they face. Indeed, an almost negligible 3% of respondents said that MIS was unimportant in their list of concerns.

FIGURE 30

How would you rate your firm's current technology capabilities when it comes to MIS?



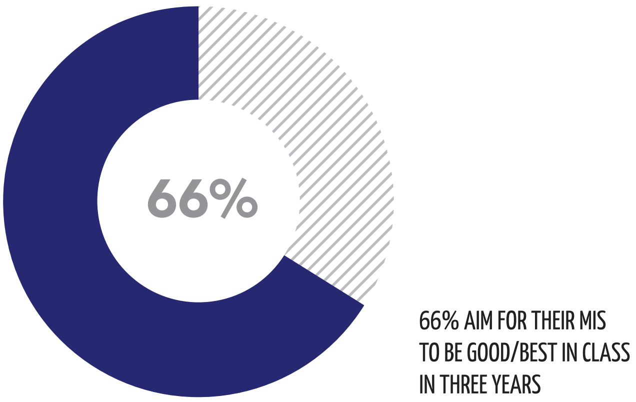
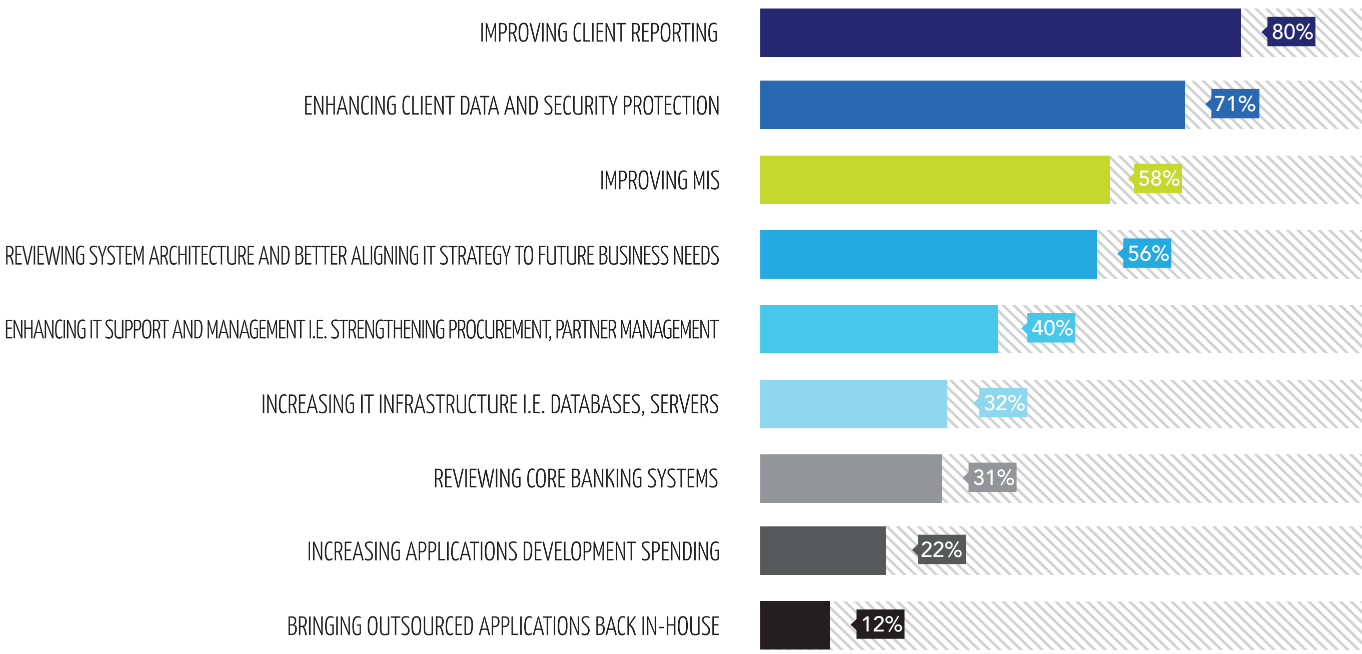


FIGURE 31

Which key technology strategies are viewed as important/very important to institutions at present?



The development of better MIS is a clear priority for the industry, with this technology strategy even slightly outstripping the desire of institutions to review their system architecture and improve the alignment of their IT strategies to meet their future business needs. But, as the situation currently stands, wealth managers seem to have a lot of work to do on the MIS front since it seems that a lot of essential management information is simply not as readily available as firms need it to be – not only to enable management to get a clearer idea of how the institution is performing but also to facilitate better strategic decision-making.

29% of wealth managers currently view improving MIS as a very important technology strategy.

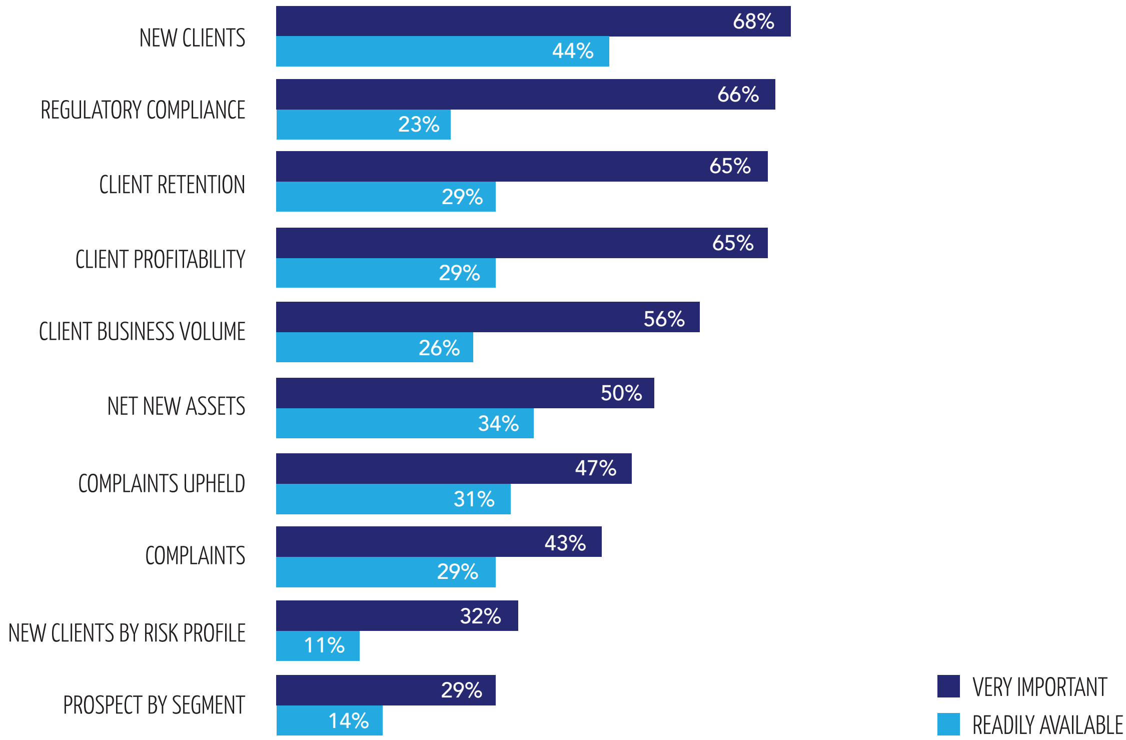
REGULATION A KEY MIS PRIORITY, BUT SYSTEMS LACKING

As might be expected against a backdrop of ever-increasing oversight internationally, the survey identified regulatory compliance information as a top priority and yet the accessibility of this information needs to improve, as less than half of respondents said that it is readily available. A similar disconnect is apparent when it comes to the classification of new clients by their risk profile: while a third of participants said that this was very important information at their organisation, only a tenth have easy access to this data.

Another surprising finding, given the ever-tightening regulatory regime internationally, is how few firms are making complaints data readily available. Despite the fact that around half of respondents deem information on client complaints – including whether they have been upheld – to be a top priority, currently less than a third of organisations are making this data readily available.

FIGURE 32

Which kinds of management information are seen as being the most important, and how readily available are these?



CLIENT SATISFACTION

The dearth of information on client complaints also relates to wealth managers' ability to assess how happy their client base is with the service they are receiving. As mentioned elsewhere in this report, client experience is one of the industry's hottest topics at present and firms are increasingly aware of the need to continually assess client satisfaction across a whole range of indices. They are realising that it is not enough to merely survey a small sample of clients once a year and complaints data is an essential part of forming a more complete picture of satisfaction levels (as well as of course being essential from a regulatory perspective).

Perhaps the most shocking finding relating to client satisfaction is how elusive retention data is. Although 65% of respondents said that client retention data is very important to their organisation, just 29% said that this information is readily available to them. Quite apart from this being a priority KPI for institutions as a whole, it is also interesting to consider how available this information is on an individual relationship manager basis for performance management purposes.

Over half of respondents said that Net Promoter Scores are an important/very important piece of management information for their firm. Attaining high NPS is of course, in many ways, the "holy grail" of wealth management, dependent as the industry is on referrals for new business; converting a client from one who is merely satisfied to one who will act as a brand advocate is, however, no easy task.

Firms interested in obtaining an objective view of how they are delivering against their brand promise need to be analysing a whole host of data points, including client satisfaction scores (for both their banker and the institution as a whole), NPS, retention and complaints. A mixture of qualitative/quantitative data obtained both internally and by independent third parties is necessary to form a full picture. According to WealthBriefing research, at present over a quarter of firms have an independent third party gather qualitative feedback from clients on their behalf.

*The same research found that half of respondents said that client feedback metrics are integral to their firm's own assessment of its performance and drive business strategy. Despite this, 36 per cent of participants said that client feedback is disseminated to staff and management, but isn't really used strategically, while 16 per cent reported that "little use appears to be made of client feedback" at their firm. There seems to be a clear need for firms to develop better MIS capabilities to deal with client satisfaction-related data. The risk otherwise is that client satisfaction surveys become merely an annual exercise and potentially invaluable data is forgotten about. **

BUSINESS BAROMETER

Predictably, information on the number of new clients organisations are winning came out on top, both in terms of how important data on this is regarded and how readily available this information is; such information is clearly an essential gauge of how the business is developing. Additionally, information on net new assets is not quite as accessible as required at present, since while half of respondents said this was very important to their organisation only a third gave this the maximum score in terms of accessibility.

While 65% of respondents see client profitability information as being of the highest importance to their organisation, it is readily available at only 29% of institutions.

A LASER-SHARP FOCUS ON PROFITABILITY

The various pressures on the wealth management industry at play today mean that there is an increasing focus on the need for firms to honestly appraise how they serve various client segments. Commentators suggest that there is a need for the industry to move away from a "bespoke for bespoke's sake" model and accept that some degree of commoditisation might be called for in their service and product provision, particularly in the lower bands of wealth. The deployment of model portfolios is a case in point here.

Equally, recent times have seen several firms back away from lower-value clients in order to focus only on wealthier ones (in some cases only the UHNW segment). Underlying such moves is a growing acceptance that wealth managers have to develop a better understanding of the returns derived from various client segments against the costs to serve them. If they do not, institutions run the risk of either under-servicing or over-servicing client segments with obvious ramifications in terms of regulatory censure and client impact on the one hand and profitability on the other.

Despite firms' clear need to have a laser-sharp focus on the profitability of the various client segments they serve - and to amend their models accordingly. The survey revealed a significant disconnect between how important this information is seen as and how easy it is to access.

While 65% of respondents see client profitability information as of the highest importance, it is readily available at only 29% of institutions. Similarly, although over half of respondents believe that information on client business volumes is essential, only a quarter of institutions have made this data highly accessible.

A further area where wealth managers' MIS capabilities seem to be lacking is in categorising prospective clients by segment, since while a third of participants ascribe the maximum importance to this kind of data only just over a tenth of institutions make it readily available. While this kind of data may not be seen as being as important as "harder" data like AuM flows, it could be argued that it is in fact critical in garnering new business due to the importance of precise advisor-client matching – even at the prospecting stage. Current industry thinking is that wealth managers which are very structured in how they delegate referrals internally have far better conversion rates than those which do not.

All in all, it would seem that organisations need to gather, analyse and disseminate a whole host of different sets of management information, but at present they lack the technological capabilities to do so effectively. In response, a significant proportion of firms will be looking to enhance their capabilities as regards MIS, with client acquisition, development and retention key priorities.

* *The New Normal: Codifying Superior Client Experience In Wealth Management* (2013), produced by *WealthBriefing* in association with Barclays Wealth and Investment Management

9 DIGITAL CHANNELS THE REVOLUTION IS WELL UNDERWAY

While digital platforms have been high on the agenda for some years, it seems we are now approaching an inflection point which will clearly divide those institutions committed to "doing" digital really well and those which will be left behind.

There are many strands to the digital piece, but at its core this issue is about ease of doing business and allowing clients to engage with their wealth management provider via the channel of *their* choice. In short, we are in the in the midst of a revolution as regards clients' ability to communicate with their wealth managers, access portfolio information and transact business digitally. While longstanding methods of communication such as face-to-face meetings and post/email are ubiquitous and will remain so going forward, firms are clearly seeing the need to broaden their communications suites with new digital channels.

WEBSITES

As might be expected, the majority of institutions currently have a dedicated website through which clients can communicate with them or view portfolio data; the remaining minority will have implemented such a site in three years' time. However, many of the websites are currently relatively unsophisticated and are more repositories for information rather than a "portal" used to communicate and interface with clients.

SMARTPHONES AND TABLETS

What is going to revolutionise the wealth management sector is the massive increase in smartphone and tablet app development predicted over the next three years. While at present relatively few firms offer communication or access to portfolio information via an app, within three years over 90% of institutions will offer these tools. This will also require wealth managers to "cleanse" or even change their current systems and processes to enable such changes to become reality.

A May 2013 SEI found that 67 per cent of US advisors are currently using tablets or mobile devices to enhance client service. Only 3 per cent said they do not use social media.

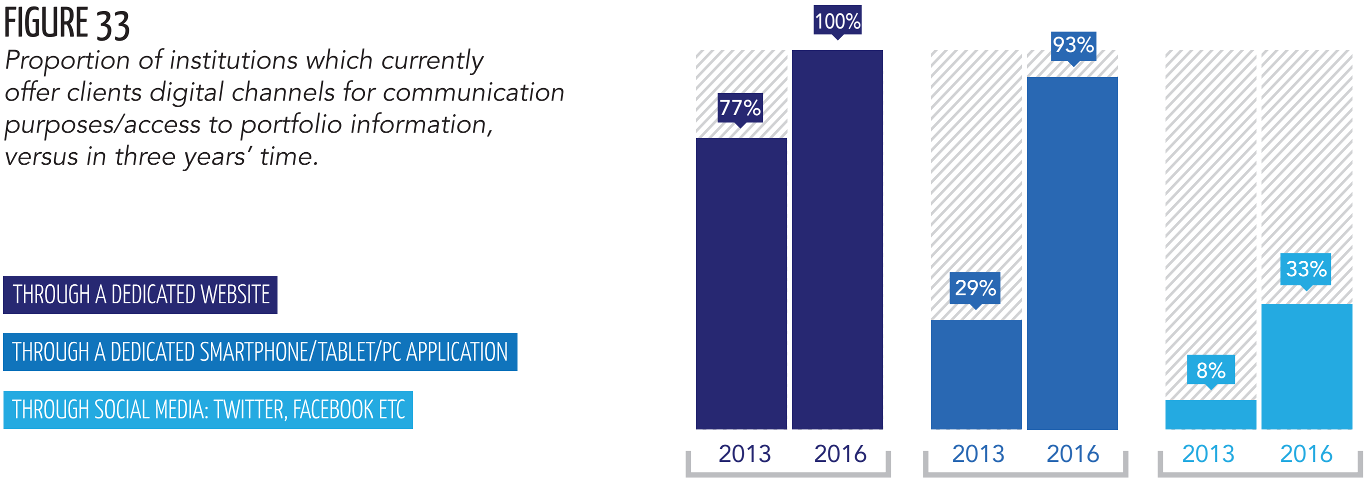
SOCIAL MEDIA

Institutions' development of social media capabilities seems to be somewhat more tentative. At present, less than one tenth of institutions have made inroads with social media platforms like Facebook and Twitter, but this figure will rise to 33% within three years. While still only a third of wealth managers will have made the social media leap by 2016, it should be borne in mind that this actually represents quite radical shift in attitudes.

It has taken a while for compliance-related fears to abate and this is understandable since regulators such as the SEC have had social media activity firmly in their sights for several years now. There is also a need to ensure that privacy and security issues are dealt with to avoid reputational issues. Organisations have sprung up to help wealth managers ensure that their social media activities are compliant, which has surely helped matters. Added to this is the fact that institutions probably now have a much clearer idea of what a good social media strategy should look like and what their individual client bases want.

FIGURE 33

Proportion of institutions which currently offer clients digital channels for communication purposes/access to portfolio information, versus in three years' time.



What we are seeing is that most wealth managers don't currently offer apps that have portfolio viewing or even transactional capabilities - the exception being firms that are part of a larger group which also has a strong retail division. What we are seeing there is the wealth management units use the retail app and - in some cases - bolt on more features for their wealth management clients. But overall, the present picture still looks very conservative - Steffen Binder, head of research at MyPrivateBanking

TRANSACTIONAL APPS SET TO EXPLODE

Communicating with advisors and viewing portfolio information is one thing, but it seems that actually transacting business through new media is quite another in wealth managers' minds.

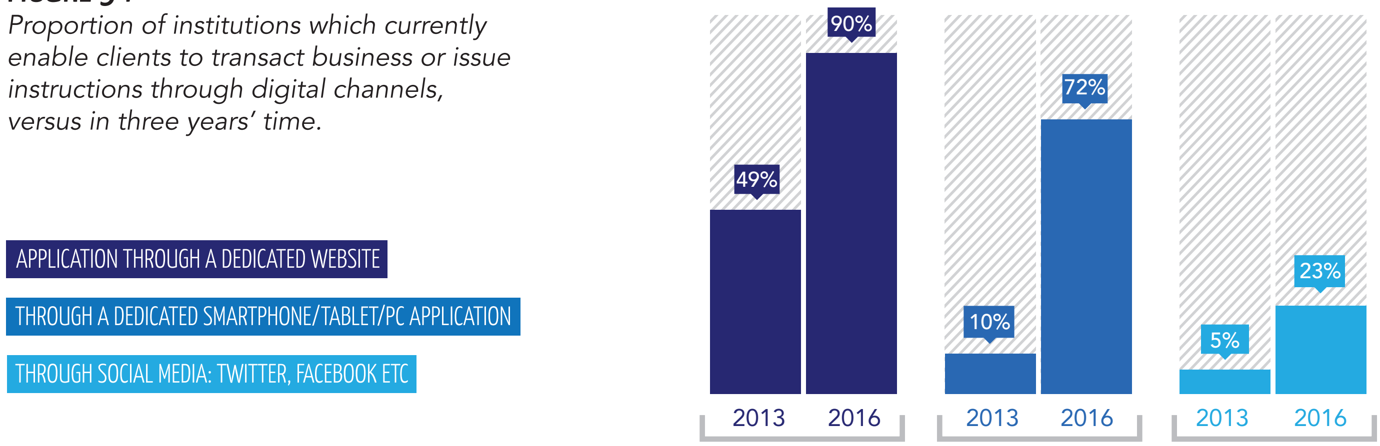
At present, very few firms enable their clients to transact business or issue instructions via social media and while this figure is set to soar in relative terms over the next three years such institutions will still be in the minority, representing around a quarter of the industry. Again, this is as might be expected when we consider the threat posed by hacking – data protection and privacy are after all the lifeblood of the industry.

Institutions seem to be much more confident about the transaction of business through smartphone or tablet apps and while only a tenth are currently doing this we can expect to see this figure rocket to nearly three quarters by 2016. Again, this is unsurprising, not least because security concerns may not run as high with proprietary apps as with social media sites. Another factor is that wealth managers are far more able to deliver the brand feel and client experience they would wish to through their own tools.

What is clear is that offering transactional/instruction capabilities via a dedicated website will be absolutely the norm in three years, with the proportion of firms with such capabilities rising from just under half at present to 90%.

FIGURE 34

Proportion of institutions which currently enable clients to transact business or issue instructions through digital channels, versus in three years' time.



10 FRONT OFFICE AND REPORTING PLATFORMS – KEY DIFFERENTIATORS IN A DIGITAL AGE

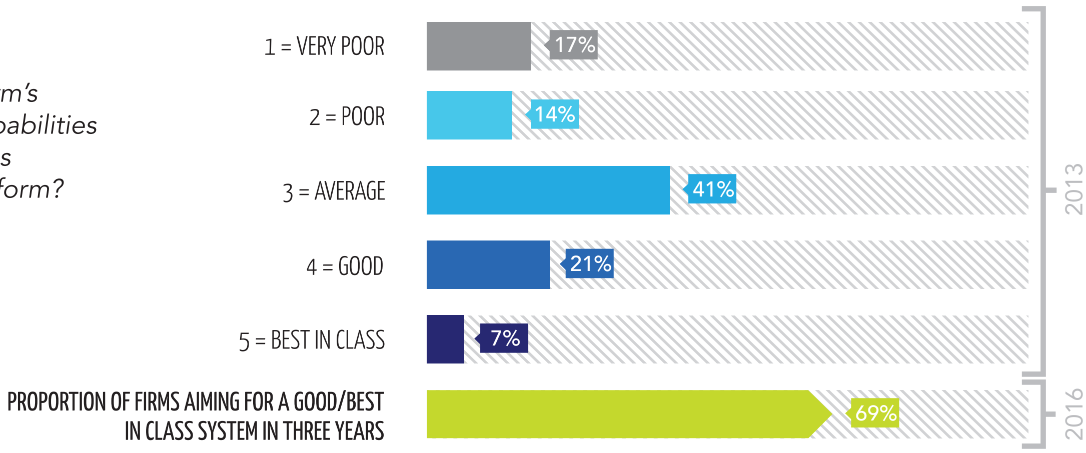
Institutions are clearly responding to clients' desire to be able to communicate with their institution, access portfolio information and transact business digitally – but the survey participants seem to be less than confident about the quality of these tools.

At present, less than a tenth of those surveyed believe that their firm's ebusiness digital front office platform is best in class, while almost a fifth deem it to be very poor. Most respondents would say that their firm's ebusiness capabilities are average at present.

Tech and ops heads are however eager to ameliorate this situation and clearly have ambitions to pull away from the pack: 69% of respondents said that within three years they are aiming for their firm's ebusiness capabilities to be either good or excellent. There is clearly a huge opportunity now for those providers wishing to help them make the leap from mediocrity to excellence.

FIGURE 35

On a scale of 1-5, how would you rate your firm's current technology capabilities as regards its ebusiness digital front office platform?



Ebusiness electronic front office platform

Nearly a quarter of front office wealth management professionals believe that "superior technology provision, including multi-platform engagement and mobile capabilities" is the most important "soft-side" factor in delivering a superior client experience in wealth management today. Of the 350 respondent to WealthBriefing's May 2013 research report "The New Normal: Codifying Superior Client Experience In Wealth Management", 23 per cent chose superior technology provision, against 59% who chose "longstanding, personal relationships with staff".

Technology was way in front of "providing education and guidance around wider financial/legal/business issues" (16%) and "helping clients with their lifestyle broadly, such as by providing concierge services" (3%). Although technology was second by some way, this finding takes on even more resonance when we consider the inherent bias in asking this question of front-line personnel who may fear disintermediation to a degree.

CLIENT REPORTING – A MASSIVE AREA OF FOCUS

Reporting is widely held to be a major area of dissatisfaction for clients, with quality, clarity and customisability not always being as good as institutions might wish them to be. Reporting systems are often not fit for purpose in that they don't help clients to get an overview of their assets in the way that is most useful to them; advisors also bemoan the fact that they cannot access both past and real time valuations to ensure that they and a client with a paper statement in front of them are looking at the same data during their discussions. The general consensus among the industry seems to be that while reporting has got better over the years, in general it is still pretty shabby.

The good news is that improving their reporting systems is a real priority for wealth managers. The survey revealed that while broadly speaking firms' reporting systems are barely fit for purpose at present, there is a huge desire to enhance them in the near term.

The majority of respondents would rate their firm's reporting system as being average today, with just 14% believing it to be best in class. Quite shockingly, given the very nature of wealth management and the importance of service and communication, almost a third would categorise their system as poor or very poor.

The desire to improve things quite quickly is strong: over half of the survey participants said they are aiming for their firm to have a best in class system for client reporting and aggregated statements within three years. There is also a regulatory perspective about clarity and transparency as well as a direct link to client satisfaction which is key to gaining a greater share of wallet and referrals.

This is an opportunity for technology providers to assist wealth managers realise their aspirations, which appear to be far removed from reality in a number of cases.

CLIENTS REQUIRE BETTER, FASTER AND MORE CUSTOMISED REPORTING

Top of firms' "shopping lists" when comparing reporting systems will be past and real time valuation capabilities, as well as scenario modelling ideally. Another "must" is consolidated reporting which can amalgamate data from various wealth managers so that those assets can be treated as part of the overall portfolio. This is essential on three counts:

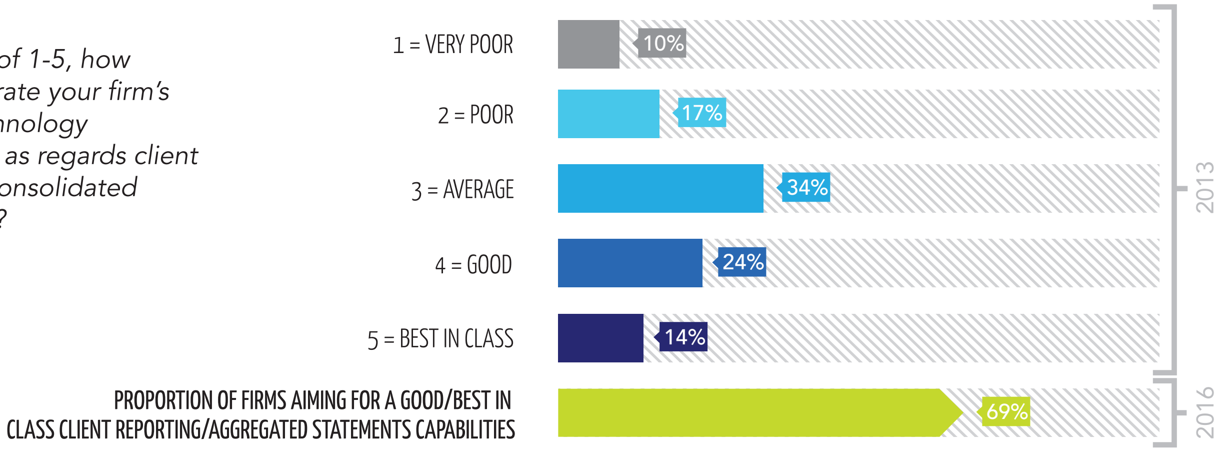
1. Due to the peace of mind which clients will get from having a holistic overview of their entire wealth;
2. Because having a full picture is of course foundational to giving proper advice; and
3. There is another kind of opportunity for wealth managers here too: getting a handle on how "away assets" are being managed and (hopefully) being able to compare favourably to competitors.

Customisability is a further priority due to the fact that the industry as a whole is thinking about client experience much more now; firms are realising that - particularly when it comes to technology - clients aren't just comparing the best experiences they have in a wealth management context, but rather across all the areas of their lives. Through their intelligent use of data and customisability, the likes of Amazon and Google have set a standard that wealth managers must now aspire to.

My experience with wealth managers and private banks is that all of them consider providing clear and customisable reporting to be a major area of differentiation – almost without exception they're always looking at their reporting and how they make that available, whether that be in printed format or whether that be online – UK business development head at a major technology provider

FIGURE 36

On a scale of 1-5, how would you rate your firm's current technology capabilities as regards client reporting/consolidated statements?



Creating a good client experience is mostly around the ability to customise – it's about the personal touch. It just gives the client a far better feeling when they can personalise what they're viewing when they log in. They also want the ability to drill into the details - Martin Engdal, director of business development and product marketing at Advent Software, EMEA

The need for wealth managers to enhance their digital platforms in general – with their digital communications suites and reporting systems being top priorities – is actually far more significant than at first might appear, and forms a crucial element of the industry's efforts to help *institutions* rather than individual bankers "own" clients. In the past many advisors have been forced to work hard to cover up the inadequacies of their institution's systems, by creating bespoke manual reports for example; future technology investment will deliver a slick user experience with the smart use of data and the customisability clients now expect. With the institution itself rather than the individual advisor providing exactly what the client wants, it is natural that their satisfaction with the firm will rise. This is crucial since clients' loyalty to brands has historically generally been far lower than their loyalty to their own banker, although bankers today are certainly far less able to take assets with them when they move on than previously.

Our research now shows that as reporting and IT systems improve, so the bond between an individual relationship manager and the client weakens, and, instead, clients' loyalty to the institution's service experience strengthens. This has potentially profound implications for how a bank invests in different elements of client service delivery and its talent - James Edsberg, senior partner at consultancy Gulland Padfield

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