

The future of wealth management

Adopting a multi-channel approach for success in the digital age



A Nimbus Ninety report in association with BrightGen, a Salesforce Platinum Partner



Foreword

The application of technology to the Wealth Management industry is a complex one. A world in which personal service and trust are highly valued could seem at odds with technical disruption and automation. With this juxtaposition, it's easy to see why conquering the single customer view or adopting a mobile-first approach presents a serious challenge for many organisations. Currently, the technological advancements occurring in other areas of retail financial services appear some way off in wealth management.

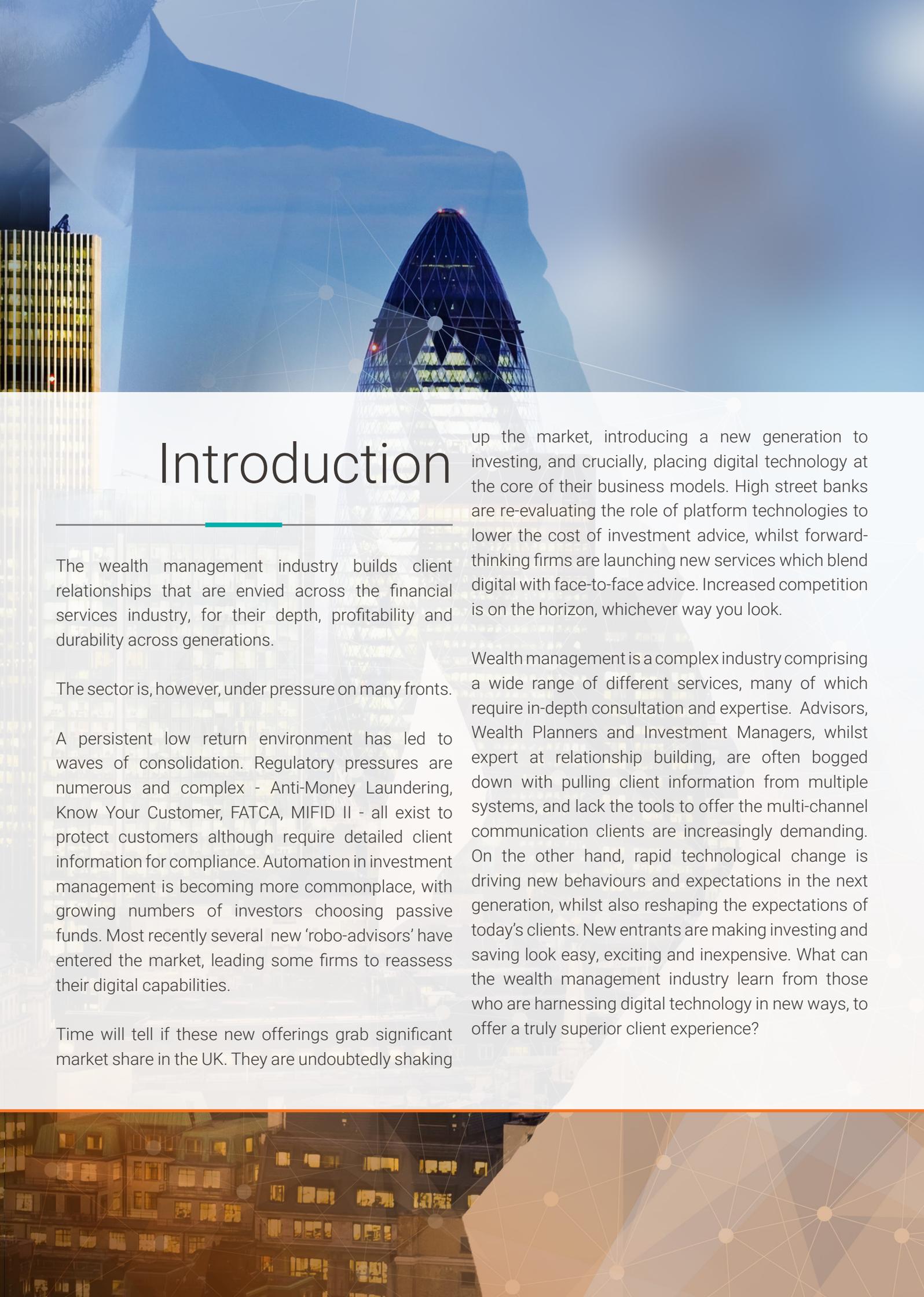
At BrightGen, we've found with our own customers that strong human relationships are the foundation of successful wealth and asset managers. However, there is a gradual transition towards a 'blended approach', where client choice becomes paramount; the ability to self-serve and be pushed information, married to personalised service and advice. We live in a time where technology is shaping new behaviours and expectations. We are all increasingly used to

getting the information we want when we want it, in a format that we recognise and enjoy interacting with - such as online or mobile. This transition from an offline to a digital world will be key in the continued success of organisations in this space.

While it may seem like there is no immediate need to offer a digital service to clients, there are new and innovative companies emerging with increasing frequency in the savings and investment industry - some that we discuss in this report. It's only a matter of time until that filters through to different and more traditional areas of wealth management, which will be championed by customer expectation.

To remain at the leading edge in the future, embracing rapidly evolving technology is essential for today's successful wealth management firms, who wish to meet the needs of tomorrow's digitally-enabled clients.

David Chandler,
VP Financial Services, BrightGen



Introduction

The wealth management industry builds client relationships that are envied across the financial services industry, for their depth, profitability and durability across generations.

The sector is, however, under pressure on many fronts.

A persistent low return environment has led to waves of consolidation. Regulatory pressures are numerous and complex - Anti-Money Laundering, Know Your Customer, FATCA, MIFID II - all exist to protect customers although require detailed client information for compliance. Automation in investment management is becoming more commonplace, with growing numbers of investors choosing passive funds. Most recently several new 'robo-advisors' have entered the market, leading some firms to reassess their digital capabilities.

Time will tell if these new offerings grab significant market share in the UK. They are undoubtedly shaking

up the market, introducing a new generation to investing, and crucially, placing digital technology at the core of their business models. High street banks are re-evaluating the role of platform technologies to lower the cost of investment advice, whilst forward-thinking firms are launching new services which blend digital with face-to-face advice. Increased competition is on the horizon, whichever way you look.

Wealth management is a complex industry comprising a wide range of different services, many of which require in-depth consultation and expertise. Advisors, Wealth Planners and Investment Managers, whilst expert at relationship building, are often bogged down with pulling client information from multiple systems, and lack the tools to offer the multi-channel communication clients are increasingly demanding. On the other hand, rapid technological change is driving new behaviours and expectations in the next generation, whilst also reshaping the expectations of today's clients. New entrants are making investing and saving look easy, exciting and inexpensive. What can the wealth management industry learn from those who are harnessing digital technology in new ways, to offer a truly superior client experience?

Global investment in Fintech totalled \$19.1 billion in 2015 - UK companies attracted over 50% all funding in Europe

The Fintech revolution and wealth management

Global investment in Fintech reached new highs in 2015, totalling \$19.1 billion, with UK companies attracting over half all Fintech funding in Europe¹.

So it is no surprise then that in 2016, Britain was ranked as the top Fintech hub in the world, beating Hong Kong and Silicon Valley². A rich pool of talent and investment, combined with a favourable regulatory regime have created a winning set of conditions enabling Fintech to thrive. So progressive is the FCA's position, that leader of Innovation Hub, Anna Wallace, was featured at number 24 on Business Insider's '40 coolest people in UK Fintech'³. A rare accolade indeed for a regulator.

The Fintech revolution is causing disruption right across the financial services industry. Much of this innovation has two things at its core: the customer and the smartphone. Retail banking has been transformed.

'Challenger' banks Atom, Mondo, Tandem and Starling are building purely digital offerings, optimised for mobile and combining innovative products with a highly personalised service. Atom even allows you to name and brand your own bank.

The payments ecosystem too has endured wave after wave of disruption emanating from start-ups such as TransferWise to tech giant Apple. New entrants have seriously challenged long-established revenue streams and upended business models.

In 2016, Britain was ranked as the top Fintech hub in the world

The wealth management industry has so far remained relatively unscathed. Perhaps the complexity of the services and advice is an effective barrier to disruption. But change is afoot in investing and financial advice, in particular. According to startupbootcamp, investment management was the biggest growth area in UK Fintech in 2015, with 20% applications coming from start-ups in this area.⁴

What is the shape and scope of this disruption?

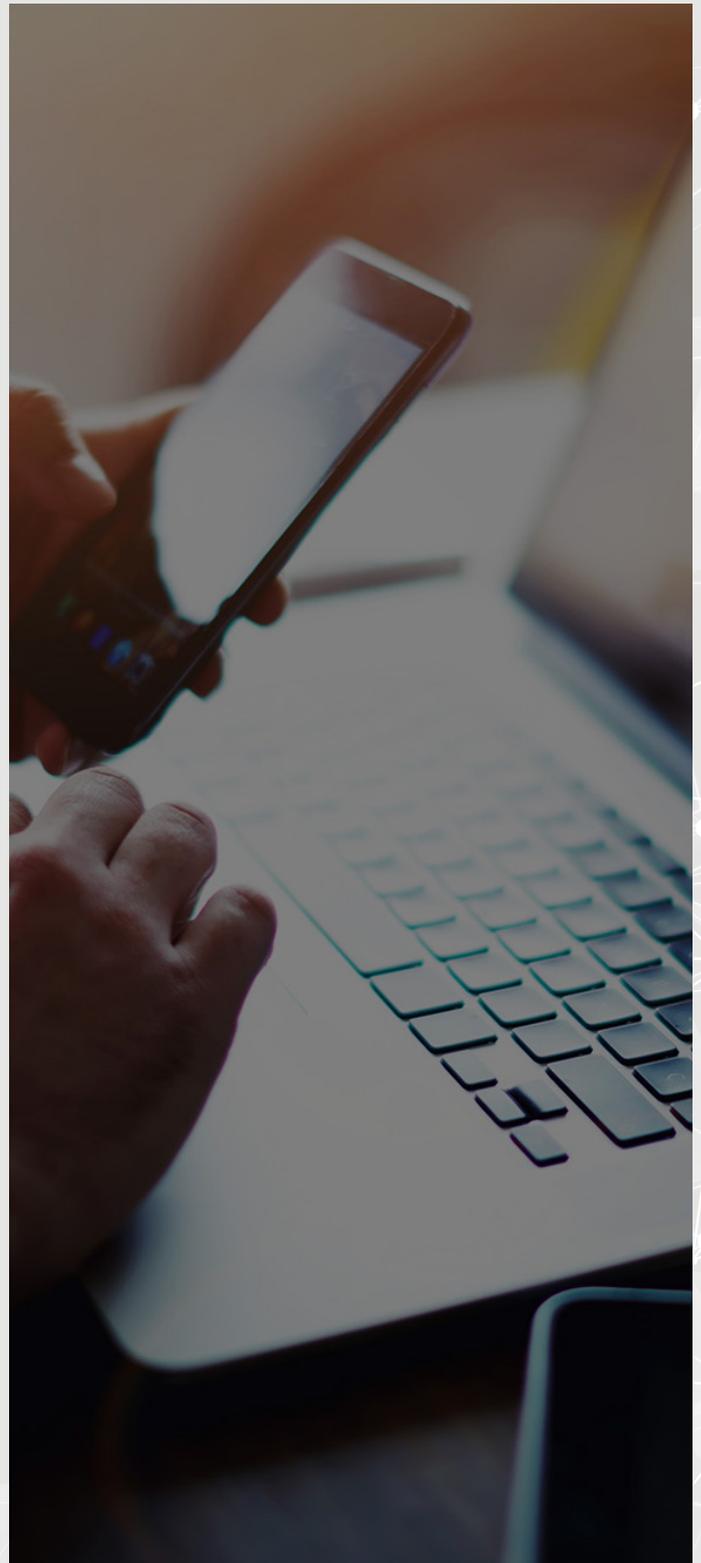
New entrants, so called robo-advisors, have made waves in 2016. Established players Nutmeg (UK) and Betterment (US) have been joined by a host of others. Wealthify (see interview pg 8), Moneyfarm, pension advisors Wealth Wizards, automated advisors Money on Toast, and now micro-investors Moneybox (see interview page 12) to name but a few. New entrants deliver automated investment advice and portfolio management, often based on algorithms suited

....20% applications from investment management start-ups made it the biggest growth area in UK Fintech in 2015

to your risk profile. Some, such as Wealthify and Moneybox are specifically targeting 'millennials', seeking to make investing fun and accessible, using informal language and a slick, intuitive user interface. This strategy could pay dividends as millennials grow older and their wealth accumulates. It's a mistake however to view robo-advice as exclusively for the young and underinvested. Good user experiences hold value across the investor base and competition for wealthier customers is on the rise. Betterment, which launched in 2010, now has over \$4.5bn assets under management. 30% are from customers aged over 50, and the company is focusing on older, more affluent clients to drive future growth - a direct challenge to the established order.⁵

As with disruptions in payments and banking, these new offerings put the customer at the very centre of the experience, at a lower cost. They are accessible anytime, anywhere - to fit in and around the life and habits of the client. This powerful combination of personalisation, connectivity and mobility is driving new behaviours and demands across many sectors. This is a world away from traditional corporate websites containing lengthy disclaimers, clunky customer portals, and paper-based reporting. Some institutions are already successfully using robo-advice to attract new customers, with a view to expanding these relationships further. Wealth management firms now have a unique opportunity to capitalise on digital and platform-based technologies.

Salesforce powers 73% of the Forbes Fintech 50⁶



Intergenerational wealth transfer over the next 20 years is estimated to be in the region of £1trn

Capturing value across generations

Wealth management of course, is a broad church. Many of the new robo-advisor models are aimed either at the mass affluent, or those who are brand new to investing. It's unsurprising therefore that those specialising in High Net Worth or Ultra High Net Worth feel unthreatened by the innovation at the 'lower' end of the market - but change is on the horizon.

Intergenerational wealth transfer over the next 20 years is estimated to be around £1trn,⁷ and the expectations of a digitally savvy cohort of millennials differ in a number of ways compared to the generations before. They are a sizeable generation, some 20 million in the UK, a staggering 92 million in the US.⁸ With major economic downturns occurring at formative moments in their lives, the millennial generation is reported to be particularly distrustful of financial services institutions and interested in socially responsible investing. They also possess low

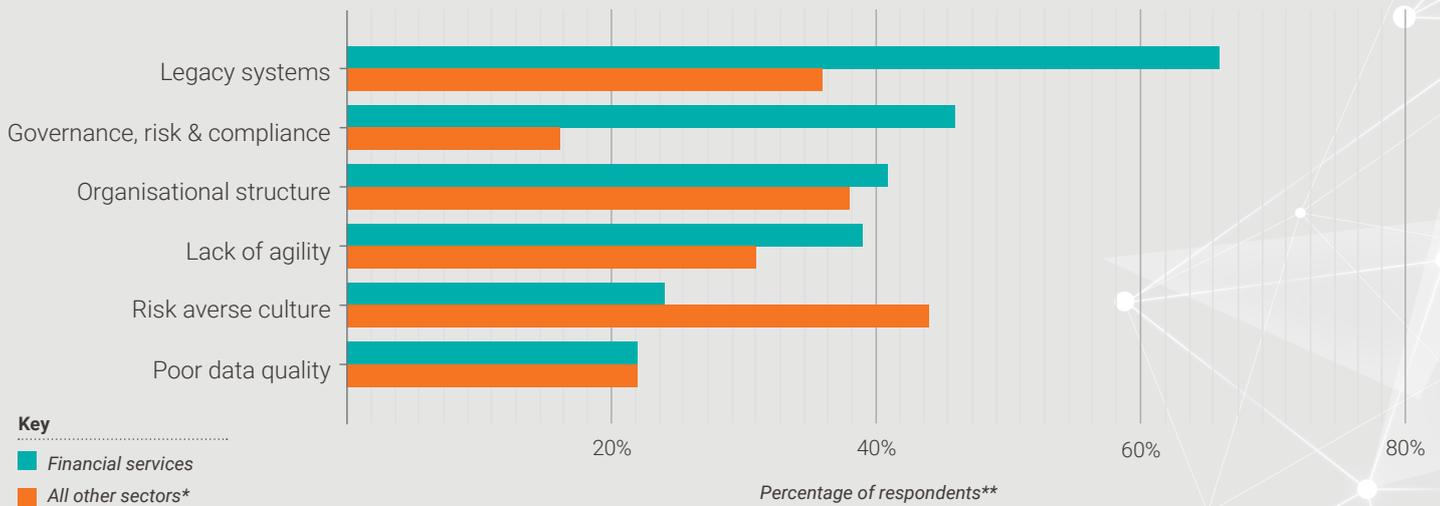
levels of loyalty to everything from their employers to their bank. Understanding the attitudes of the largest generation in history is critical to wealth management firms. Whilst there is growing evidence to suggest that financial advice is highly valued by this cohort, they have only known an internet-enabled, information-rich world, and transacting via smartphone is second nature.

By contrast, the average wealth management client is in their mid-late 50s. Our research told us that these clients weren't demanding apps or other digital tools. They do however have greater access than ever before to financial information through a variety of channels, including social media, and are regularly exposed to positive digital experiences in other sectors - banking, payments, travel and retail for example. Many high street banks have reported a strong and perhaps surprising demand for digital services from customers aged over 70.⁹ So whilst radical overhaul is not required, how can investment in the front office, in digital tools and technologies, enhance client relationships and enable business models to evolve? How can the advisor, wealth planner or investment manager deliver an even greater degree of personalisation, using data to drive even deeper relationships? The technology exists - what is holding the industry back?

Nimbus Ninety surveyed over 160 senior executives responsible for driving digital transformation across business and technology functions in March 2016, to gauge attitudes to digital business model reinvention. The results highlighted the specific challenges facing those leading change in financial services as a whole, compared to other industries (fig 1). Despite 70% financial services respondents rating digital

66% financial services executives cited legacy systems as a major obstacle to business model transformation

Figure 1. What are the top three obstacles preventing you from transforming your business model?



Financial Services		All other sectors*	
66%	Legacy systems	36%	Legacy systems
46%	Governance, risk and compliance	16%	Governance, risk and compliance
41%	Organisational structure	38%	Organisational structure
39%	Lack of agility	31%	Lack of agility
24%	Risk averse culture	44%	Risk averse culture
22%	Poor data quality	22%	Poor data quality

*Retail, Utilities, Public Sector, Media, Manufacturing, Professional Services, Not-for-Profit, Pharmaceuticals, Healthcare, Environmental, Transport, Telecoms, Travel
 **Seniority: 48% Director/Head, 30% Manager, 12% Other, 10% VP & C-level

technologies as highly important in facing down disruption, barriers to change were significant.

Legacy systems were the top-rated obstacle to transformation in financial services by a significant margin. 66% respondents working in financial services chose this option compared to 36% of those from other industry sectors. 46% selected governance, risk and compliance as the major barrier to transformation, compared with 16% respondents outside financial services. Despite this, a risk averse culture is not as significant a barrier for financial services compared with other industry sectors - only 24% respondents

selecting this option compared with 44% elsewhere.

The appetite for transformation is keenly felt in the sector, despite the well-known challenges around legacy systems and regulation - the latter being perhaps most complex in wealth management. Investing in digital technologies that can adapt to the needs of a new generation of clients, enable multi-channel communication and reduce the administrative burden of ever tighter regulation is essential for forward-thinking firms. The following interviews highlight some of these possibilities, and offer a glimpse into the new world of robo-advice.



Michael Ashford, Chief Technology Officer, Wealthify

After studying Computer Science at Cardiff University, I joined Richard Theo and together we

built ActiveQuote, an award-winning insurance comparison website which partners the likes of Gocompare, Confused.com and uSwitch. I've now moved to Wealthify as Chief Technology Officer, responsible for all tech and software development, and I'm still very much hands-on. A self-confessed geek, I love technology and gadgets, from smart devices and wearables to Virtual Reality/Augmented Reality, drones and machine learning.

www.wealthify.com

What challenges is the wealth management industry facing, and how does Wealthify address these?

As we see it, the main challenge isn't with the wealth management industry, it's faced by the vast majority of average Britons whose money is earning a pittance in cash savings accounts. These people are critically under-served by the traditional wealth management industry which systematically excludes smaller investors and those with less experience. Our raison d'être is to provide them with a fully-managed globally-invested service, but one that's more flexible, accessible, transparent and at a fraction of the cost of the incumbents.

We built the service to be mobile-first... We want customers to access the service 24/7, so it's fast and responsive

You're targeting the iPhone generation. How does this affect your design and strategy?

One of our biggest challenges was simplifying the complex interactions that take place in a financial proposition. Our sign-up process takes minutes, is entirely online and is mobile responsive, with no paperwork or signatures required. Our design stands out as disruptive in a bland and overcomplicated arena, using bold imagery and slick, intuitive customer interactions. We wanted to make the experience fun, effortless and rewarding. Future plans will include Wealthify mobile apps for iPhone and Android, helping put control of their investments in the hands of our customers.

Technology assists us in working efficiently and at scale, but we're not about eliminating the human element

What were the technology requirements for Wealthify's platform? How do you ensure it's so easy to use?

Modern users access the web on many different devices, from phones and tablets, to desktop PCs and smart TVs, so we had to make sure our platform works well, no matter what the device. We built it to be mobile-first, a design principle that ensures the mobile experience is not an afterthought, but integral to the design. We want customers to be able to access the service 24/7, so we had to make sure it is fast and responsive, even on 3G connections. When we roll out a change, we test it across a large number of physical devices and emulators to ensure a great experience for everyone. Critical to our success is the ability to scale, so we made sure we designed our whole business model and backend systems to be robust, flexible and future-proof. From a customer perspective, ease of use is fundamental. You won't find complicated financial jargon or unnecessary charts anywhere on the site and the entire sign-up process is quick and intuitive.

We'd like to help 1 million savers become investors in the next ten years

What is the right balance between human and machine?

The rise of the robots is often met with caution, scepticism or even fear, and robo-investing is no different. Rather than asking customers to put their trust in a machine, we temper our automated algorithms with real expert input and oversight, provided by our investment management team who have over 50 years combined experience. Technology assists us in working efficiently and at scale, but we're not about eliminating the human element. Customers can always speak to someone, whether that be on chat, phone or email.

What are your hopes for Wealthify over the next few years?

We'd like to help 1 million savers become investors in the next ten years, so our focus will be on educating the public on the benefits of investing compared to cash savings accounts, and building our brand and reputation into a household name so that more Britons will trust us to grow their hard-earned money. Personally, I'm looking forward to many more technology and software development challenges for robo-investing and aim to be at the forefront of this new and exciting sector.



**Ilan Davidovici, Director
Financial Services
Industry Solutions,
Salesforce**

*Ilan Davidovici is the
Head of Wealth & Asset
Management, Director in
the Salesforce, Financial*

*Services Industry Solutions practice. Ilan works
with leading global financial services organizations
spanning wealth, asset management, life insurance
and banking.*

www.salesforce.com

What are the top challenges facing the wealth management industry today?

Firstly, the explosion of the Fintech industry. You can think of Fintech as Betterment, Wealthfront or Nutmeg. Or as telecoms operator Orange, which is launching a mobile-first banking product. It's also about Uber, Google, Apple Pay - any provider taking aim at discrete but significant parts of the value chain in financial services.

Secondly, the intergenerational transfer of close to \$2 trillion assets in the next couple of years.¹⁰ How do firms position themselves to ensure the transfer doesn't happen outside of the organisation?

Thirdly, the administrative burden. A typical pain point for firms is the onboarding process. When you onboard a client you do this as an individual first, then into a product, then you have to comply with a piece

How do we enable our advisors to do more with less?

of regulation e.g. Anti-Money Laundering, Know Your Customer. Does your system intuitively prompt the advisor to ask the right questions and submit the right information?

How would you rate the digital maturity of the sector?

It's complex. There are hundreds of products - with more regulatory oversight and burden - for fewer customers. But the stakes are so high if you don't get it right in wealth management.

Technology needs to be the bridge that makes it engaging, seamless and integrated for the advisor as well as the client. That's where the Fintechs do it right from the beginning. What I would say, is that banking is further ahead in mobile than wealth management.

When you're talking to your customers in wealth management, what do they ask you?

How do we enable our advisors to do more with less? What tools can we provide to analyse their book of business and take smart actions? Can we provide an electronic repository of information? So, for the onboarding process, you access the repository, pre-fill documents, email them to your client to sign digitally - the entire process takes a few hours rather than a few weeks.

...making things as easy and personalised as possible for the client, whatever the channel, is critical

Firms also ask for analytics. Analytics is the ability to look into your pipeline and understand whether it's healthy, where the pain points are internally, what are the actions to grow the pipeline and assets under management? It's about surfacing the right information so you can make the right decisions across your firm and take action at the point of insight.

What about the impact of regulation on firms?

This cannot be understated, and it runs through everything we're discussing. We have a robust platform on which to manage many of the regulatory concerns a wealth management firm might have. It's about bringing together encryption, audit trail and a scalable, repeatable process together on the platform. It's about giving the firm the ability to continually update privacy notices, contracts, fee disclosures, annual quarterly review statements - without putting that burden on the advisor.

How do these tools enhance the relationship between advisor and client?

The relationship aspect of wealth will always be paramount - you're never going to have a chance to manage someone's wealth unless you build a relationship with them. But you could lose that relationship quickly if you have to ask them many times for the same information.

One view is that robo-advisors are coming to separate wealth firms from their clients. Robo-advice is just one channel - a self-selected digital relationship built on an analytics-driven advice platform. For

those that still want a more traditional relationship, they will select one, but making things as easy and personalised as possible for the client, whatever the channel, is critical.

Is 'robo-advice' a good way to attract younger clients?

Robo-advice could be for the younger investor who has a little bit of money and doesn't want to think too much about trading or mutual funds. They just want to put their money away. It could also be for an individual with £100k who wants to use different channels for investing their wealth, and they trial robo-advice. Established wealth managers who offer robo-advice and do it successfully could see a whole new range of clients as a result.

What should be on the agenda for CIOs and CTOs?

Right-sizing the number of systems. Becoming 'mobile first'. Bringing the middle and back office together with the front office on one platform so everyone is collaborating across the firm. Using a platform that integrates partner applications. And most of all, using the advantage of their legacy position in the marketplace to manage, deepen and grow their business. Pick a playbook out of the the Fintech industry - become who your clients want you to be, not who you think you should be.



Charlie Mortimer, Co-founder, Moneybox

Following a stint in management consulting with OC&C, Charlie went on to work under the Daily Mail & General Trust umbrella where he

turned around an online dating business, launched Wowcher and built a personal finance app called OnTrees which was sold to MoneySuperMarket in 2014. Charlie worked at MoneySuperMarket for a year before starting Moneybox. www.moneyboxapp.com

What is the philosophy behind Moneybox?

Our proprietary research revealed two key problems; firstly, that 18-35 year olds are not saving money in a structured way and secondly, that very few of them are investing. The most often cited reasons for not investing were that they think 'it's too complicated' and that 'you need to have large amounts of money to get started'.

By addressing each of these challenges, we're trying to open up the market to a new generation of investors. The Moneybox app makes it easier than ever to set money aside; we will enable users to round up their everyday card purchases to the nearest pound and invest the spare change. Users can sign up in minutes from their mobile phone and start investing with as little as £1.

We're opening up the market to a new generation of investors

What were some of the technology challenges around building the app, and how did you overcome them?

When we decided to build Moneybox, our ambition was to make it possible for people to invest in a diverse range of stocks from around the world with as little as £1. This has been one of the biggest challenges for us – as far as we know no one has ever done this before.

On a number of occasions we have been told that this would be impossible, but by continuing to ask questions and in some cases learning about key areas from scratch, we've managed to make this possible. We often found that there wasn't a good reason for why things were done the way they were, it was just the status quo.

Over the last 12 months, we've learnt a lot about the complexities of knitting together older systems and payment processing infrastructures with newer providers. Through testing a raft of different scenarios, we've managed to make it possible but not without a lot of late nights!

We often found there wasn't a good reason why things were done the way they were...it was just the status quo

What were your main considerations for the user experience?

One of our biggest priorities has been simplicity. We have spent a long time working on our onboarding process so that users can go from install to investment in just a few minutes.

We're also finding ways to explain basic investment concepts to our users without using too much industry jargon.

Another important part of the Moneybox experience is celebrating our users' successes with them. If you're a 27 year old who's never opened an ISA before, we want you to feel fantastic for getting round to it. That's why when you open an investment account with Moneybox, you'll see an owl moonwalk across the screen and give you a high five... We'll be building in more of these little touches over the coming months.

18-35 year olds are not saving money in a structured way and very few of them are investing

If you could change one thing about the wealth management industry, what would it be?

I suppose it would be to make the market more inclusive. It would be great for everyone to feel like investing was a possibility for them and that there were tools out there that catered to their needs. With interest rates at a record low, it's really important that more people consider investing as a way of reaching their long-term goals, otherwise it's likely that the real value of their savings will fall over time.

You're targeting millennials, but how do you plan to serve clients as they (inevitably) get older and their investment portfolio grows? Can you grow with them?

Yes, I believe we can grow with them. At this early stage, we are focused on solving the specific problems that face our core user base today. Our ambition is to build a platform that grows with them as their priorities change. That may involve features within existing products such as the opportunity to invest in particular stocks, or offering new products such as Junior ISAs or pensions.

These longer-term priorities will be driven by the needs of our users, but getting them started is the most important part.

Conclusion

Whilst investment in the back office has been a recent priority for firms, whether appealing to a new generation of customers or fine-tuning interactions with current clients, front office digital capabilities are now ripe for investment.

A suite of new technologies are able to further cement relationships with clients. Platform-based technology enables collaboration and visibility across the entire organisation, linking the front, middle and back office. Analytics, under-deployed in wealth management, allows advisors to enhance the client relationship through more personalised interactions and information. Greater accessibility to and visualisation of client data improves productivity, enabling advisors to manage their relationships even more effectively, thereby increasing opportunity.

Mobile is now a crucial channel for financial services. The average Briton spends two hours per day online via their smartphone, twice as much as laptop or PC¹¹. Mobile capabilities are a hygiene factor for millennials, but could also serve to differentiate wealth management offerings to today's increasingly tech-savvy clients. It is essential then, that mobile is not an afterthought, but right at the centre of transformation. The new wave of robo-advisors recognise this. Whilst robo-advice may be causing waves in investment management rather than wealth management as a whole, it harnesses technology to set new standards in client communication and innovation - all at a lower cost to the customer. These standards will soon become the norm.

Clearly there is no substitute for knowing the customer and helping them achieve complex and long-term financial goals. Face-to-face engagement is crucial in this regard. The challenge for wealth management is that multi-channel communication, where human interaction combines seamlessly with digital, is essential to attract and retain a new generation of clients. Lengthy onboarding times and poor access to information are simply not tolerated by Generation Y.

How can firms provide a robust response to the disruption gathering pace across the sector? Advisors need tools which place client needs and data at the very heart of the experience, are flexible enough to harness multiple information sources, comply with stringent regulatory demands and speed up the onboarding process. Forward-looking firms recognise that change is on the horizon, and that continued success in the digital era will require a new approach to technology.



About BrightGen

BrightGen enables businesses to transform using Salesforce, the world's number one CRM. We have extensive experience in the financial services industry and make fundamental changes to the way our customers operate, provide the technical expertise they need for a smooth transition to the cloud and think strategically, so we're always focused on their entire business and long-term goals. All of which ensures they are guided to success, able to adapt, become their most efficient and power ahead of the competition. We're a certified Salesforce Platinum Partner and our team members are all in-house and UK-based. We have been running for 10 years and have managed over 600 projects, delivering them on time and within budget.

www.brightgen.com

References

1. CB Insights & KPMG, The Pulse of Fintech March 2016
2. HM Treasury & EY 2016. UK Fintech: On the cutting edge
3. Williams-Grut O, Kocianski S & Shead S, 2016, The 40 coolest people in UK Fintech, Business Insider UK, April 27 2016
4. Churcher R 2016, Accelerating Change – How the London Fintech Landscape is Evolving, 23 March 2016, www.startupbootcamp.org
5. Raagas de Ramos, 2016, Robo adviser battles inertia to attract rich investors , Financial Times, 16 June 2016
6. Salesforce presentation, 2016
7. Kleinwort Benson.com Insights, Making way for the millennials, 2016
8. Goldman Sachs, Millennials coming of age, Source US Census Bureau, 2016
9. British Banking Association, Millions of "Silver Surfers" harness mobile and internet banking, 26 January 2015
10. Accenture 2015, The Greater Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth
11. Ofcom August 2015, The Communications Market Report

Copyright © Nimbus Ninety Ltd 2016

While every action is taken to ensure the information within this report is accurate, the publisher accepts no liability for any loss occurring as a result of the use of that information. All rights reserved. No part of this report may be published or stored in a retrieval system without prior consent of the publisher.

Contact Information

BrightGen Salesforce Tower
110 Bishopsgate
London EC2N 4AY

Tel: 0207 1834 390

Email: info@brightgen.com

Editorial Information

Author

Jessica Thorpe, Senior Research Analyst

Email: jessica.thorpe@nimbusninety.com

Design

Jordan Constantinides, Creative Lead

Email: jordan@nimbusninety.com



0:25:35

Success
708 1.1.17
90.503.2
Marketing
NETWORK

Branding
Solution
Marketing
Analysis
Ideas
Success
Management

Technology
Innovation
SYSTEM

85.3.66.1



Innovation
Branding
Solution
Marketing
Analysis
Ideas
Success
Management

Manufacturing
Supply chain
Product
Cargo
Customer
Delivery
Inventory
Management
Freight

100000
10000
8000
6000
4000
2000

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov D



60.50.3.1

Manufacturing
Supply chain
Product
Cargo
Customer
Delivery
Inventory
Management
Freight

100000
10000
8000
6000
4000
2000

Jan Feb Mar Apr May Jun Jul Aug Sep Oct No