WHY WEALTH MANAGERS WILL FIND IT INCREASINGLY DIFFICULT TO DIFFERENTIATE AND CONTROL THEIR COSTS UNLESS THEY EMBRACE A MORE FLEXIBLE, COLLABORATIVE MODEL

We have seen how COVID-19 has accelerated the need for digital technologies within the Wealth Manager market as firms are being challenged to step up and meet rising client expectations. The current situation has also made it much harder for firms to differentiate themselves, which is increasing competition in the market, and pushing them to be more open, agile and collaborative in order to maintain business levels and retain client relationships.

Whilst ways of doing business are changing, the need for firms to control their operating costs, protect margins, and stay compliant remains constant, so how they respond during this pandemic will have a longer term impact on their position in the market.

Tactical decisions made at the start of this pandemic will need to be backed up with longer term business strategies that ensure their operating model and end-to-end technology are fit for purpose coming out of the pandemic.

In doing so, organisations will need to reassess what it takes to offer clients a differentiating experience and embrace change as the new normal. The ones that continue to operate across disparate systems, or are constrained by legacy platforms, will struggle to offer these enhanced levels of service in a sustainable and profitable way.

DIFFERENTIATION

Fundamentals of differentiation - "The 5 Cs"; Customer, Connectivity, Collaboration, Change, Control.

1) Customer

As the needs of the wealthy continue to change, Wealth Managers need to evolve their value proposition too. Today's wealthy clients demand services that empower them to monitor and manage their investments in real-time whilst on the move. In contrast, many institutions have retained traditional service structures and business models, which makes it difficult to adapt to the wider needs and preferences of their target clients.

In reality, clients no longer need to rely on a single advisor, often supplementing advisor insights with market data from across their own networks. Differentiation comes from those who collaborate across the market, offering a wider set of investment services and insights to their clients.

2&3) Connectivity & Collaboration

However, a Wealth Manager's ability to deliver differentiating services and insights greatly depends on their level of connectivity and the ease with which they can integrate new value-add services into their own value proposition.

Organisations that focus on improving their connectivity, both front to back through their operations and into the wider market ecosystem, will be best placed to serve their clients future needs, delivering a balance of differentiation and cost efficiency. Through collaboration, they will be able to open up new channels of engagement, attracting new wealthy clients, extending the breadth of services they can offer them, whilst maintaining the flexibility to outsource selected services for cost control or differentiation purposes.

4&5) Change & Control

One thing is certain, things will change, and institutions need to be more flexible and agile than ever to deal with the level of change required in a digital world. Business models that embrace change, whether that is client, regulatory or market driven change, will be the ones that can plan change proactively whilst being able to respond quickly to gain market advantage.

Ongoing change is often the hidden cost when it comes to transforming the business, and firms need to better understand the true cost of ownership, the level of control they will need to deliver change at a pace their clients demand, and the capabilities of existing technology to connect internally and with the outside world as part of a modern service oriented architecture.

Firms that choose to outsource change to service providers will still need to maintain oversight and a level of control, and will be pushed to consider the cost benefits if changes cannot be delivered quickly enough or at all.

COST CONTROL

Collaboration drives business growth and efficiency. The cost pressures on Wealth Managers are well understood and particularly relevant right now, with rising client expectations, lower margins, and an increasingly complex regulatory environment.

Meeting this challenge alone is not easy, and many organisations have historically chosen to outsource large parts of their service model in order to share the costs and reduce the risk and complexity of managing these changes. However, firms that outsource their service model often have to compromise on client experience and differentiation, and it is these factors that will be key to sustaining business success in a post-pandemic world.

SUMMARY

Adopting a more collaborative and connected service model, enables firms to maintain control of their client experience, with greater flexibility to offer services that differentiate them in the market, and a broader reach to attract new clients across a wider ecosystem.

Traditional service models often constrain change and connectivity, limiting opportunities for firms to differentiate with their target clients. Firms that embrace change, extend their boundaries, and take control of their own value proposition, will be best placed to deliver value to their clients, attract new clients, and drive operational efficiencies from end-to-end across their business.

Paul Driver
Sales Manager UK&I
ERI Bancaire
www.olympicbankingsystem.com