



# **Italian Private Banking Association**

## Milano

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THE BOSTON CONSULTING GROUP

# BCG's Digital Wealth Management prospective

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## **Digital covers a broad spectrum**

- Execution platform, stand-alone business model, integrated into a tradition WM model

## **Digital Wealth Management "DWM" is in an early development stage relative to other sectors**

- Expectations being set by set by the likes of Amazon, LinkedIn not other wealth managers

## **DWM will be disruptive/transformational**

- All wealth processes will be affected powered by data science, AI, machine learning

## **Driving superior economics will be imperative**

- B2C models are often not economically viable – need to define operating model

## **Defining the ideal client experience will be critical**

## **Changing behaviors in the front, middle and back office will be the biggest challenge**

# Big data, machine learning, and cognitive computing will transform DWM---Example IBM client insight by Watson

Enable FAs to understand how clients behave and provide **dynamic segmentation** of clients



Interactions



Account Funding



Trading Patterns



Asset Allocation

Identify behaviors correlated to **most profitable clients** and **predict life events**



Account Events



Financial Events



Life Events

**Prioritize focus clients**  
based on urgency of required action



Quickly determine critical clients to spend time and the most relevant actions for them

Insights embedded in Advisor portal and applications to provide **seamless access**













Embeddable UI components



API to deliver analytic insights directly to other applications and processes

# Wealth managers are taking different paths to build DWM capabilities

	Buy FinTech	Build in-house	Partner
<b>Primary drivers</b>	<ul style="list-style-type: none"> <li>Immediate access to technology</li> <li>Existing client base</li> </ul>	<ul style="list-style-type: none"> <li>Product tailored to suit advisor and client needs</li> <li>Easier to modify</li> <li>Built to integrate with legacy systems</li> </ul>	<ul style="list-style-type: none"> <li>White-labeling of solutions for FAs &amp; clients</li> <li>Rapid and cheap deployment</li> <li>Opportunity for some integration</li> </ul>
<b>Limitations</b>	<ul style="list-style-type: none"> <li>Difficulty in integrating the tech</li> <li>Turnover in key staff</li> <li>Cultural differences in acquired company</li> </ul>	<ul style="list-style-type: none"> <li>Time consuming and expensive to deploy</li> <li>Potential for new technology to be built off and tied to legacy stack</li> </ul>	<ul style="list-style-type: none"> <li>Full integration with systems difficult</li> <li>Product risk if vendor is acquired</li> </ul>
<b>% of WM Firms Executing*</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>
<b>Discount Brokerages</b>			
<b>RIA/FA</b>		<p>Raymond James and Edward Jones have publicly said they will not build a robo-advisor</p>	
<b>Full Service Brokerages</b>			
<b>HNW/UHNW Bank/Trust</b>			
<b>Other</b>			

\* Based on a sample of the top 50 Wealth Management firms globally by Assets under Management. ~40% of firms indicated either a “wait and see approach” or having no active plans to pursue robo offering.

# Defining your ideal client experience is key

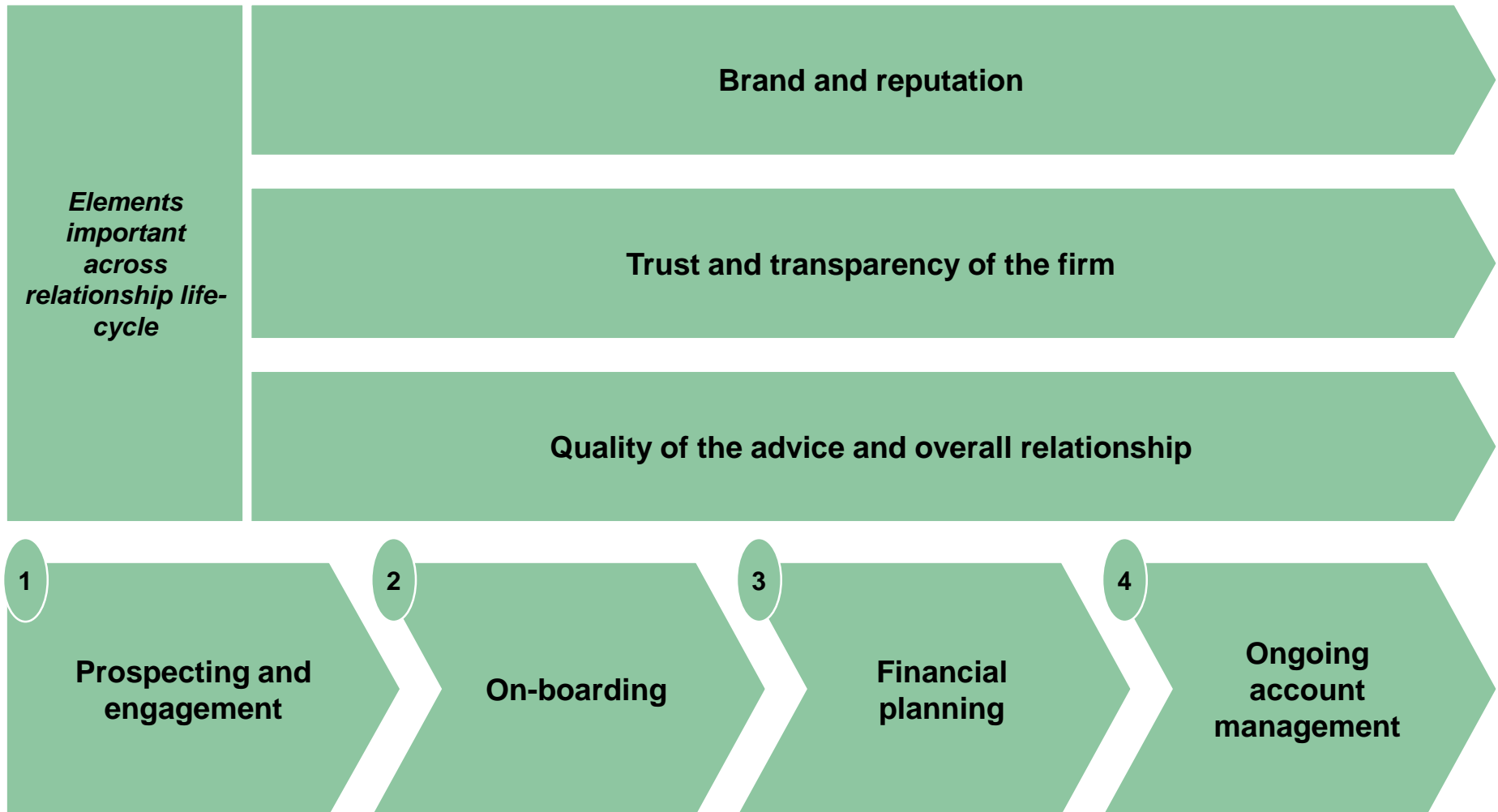
## Five key questions to ask yourself

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- 1. Have you defined the ideal client experience?**
- 2. Is the experience linked to what your clients value?**
- 3. Does the experience drive superior economics?**
- 4. Do you have dedicated resources to understand and deliver the ideal client experience?**
- 5. Can you measure and track how well you are doing?**

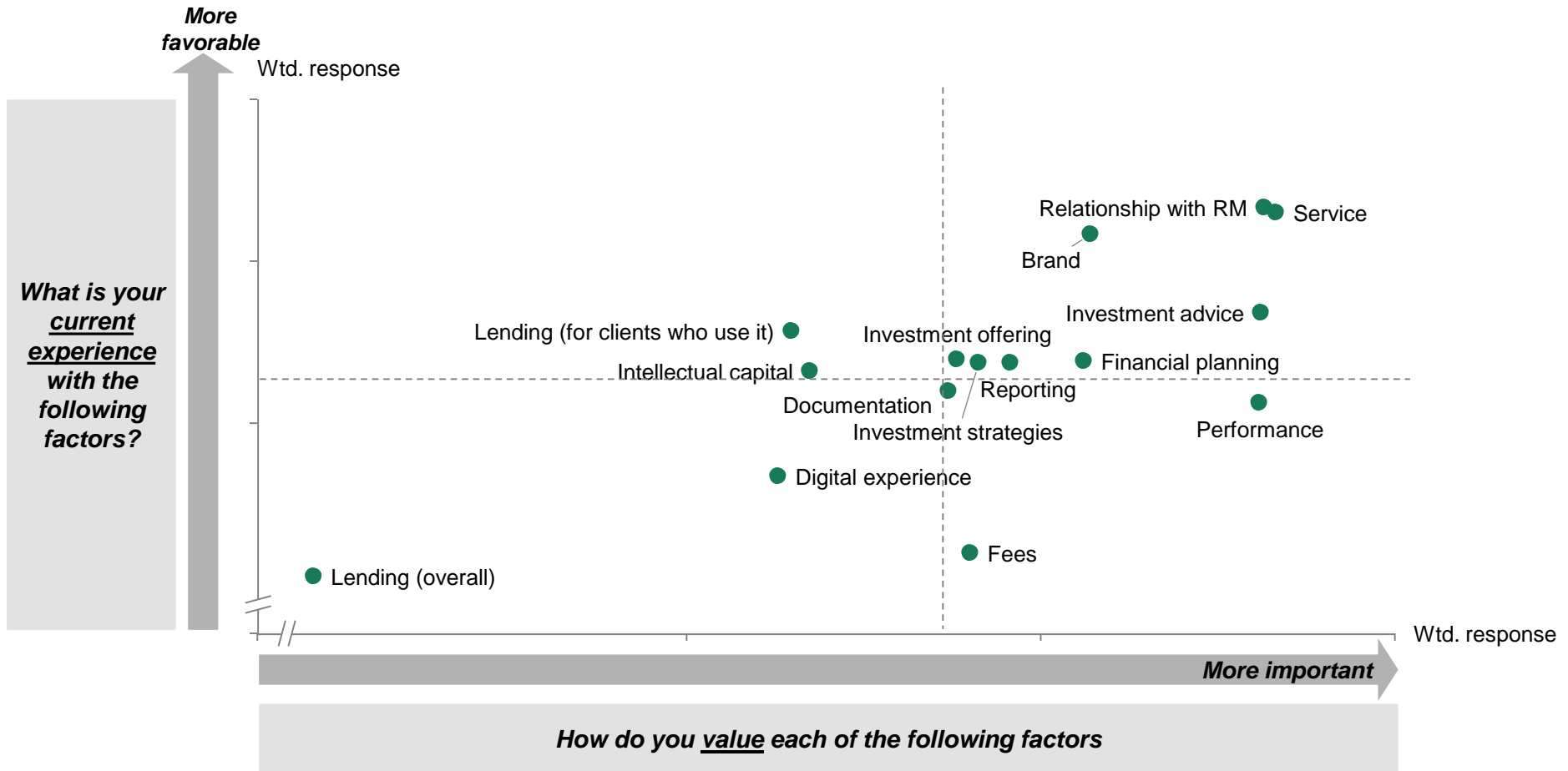
# 1. Have you defined the ideal client experience?

One approach



# 2. Is the experience linked to what your clients value?

Client example: elements of a value proposition (sanitized)



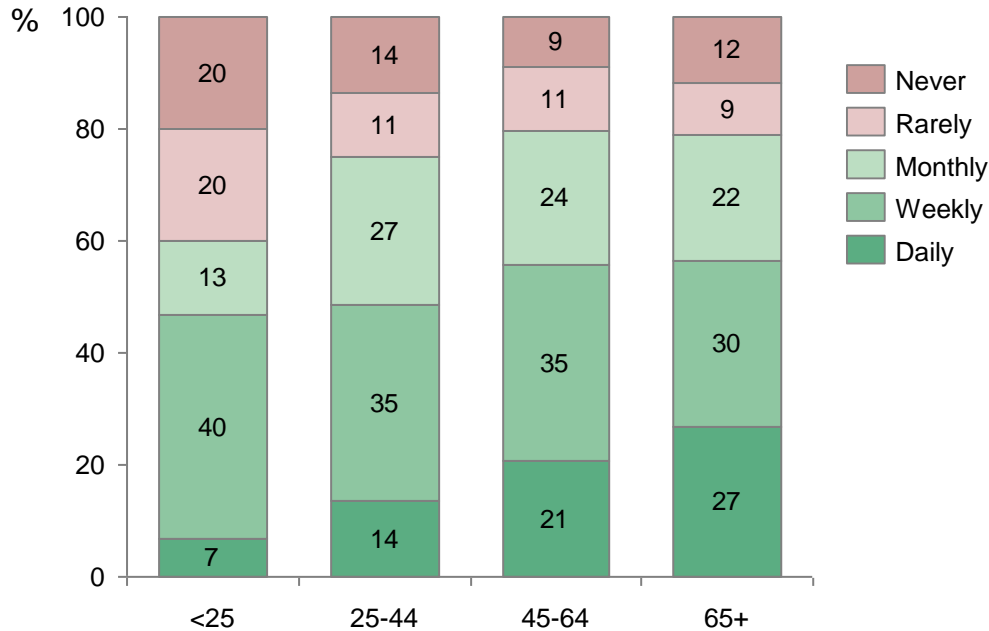
Source: BCG analysis.  
ItalianPrivateBankingAssoc9NOV2017final.pptx

# 2. Is the experience linked to what your clients value?

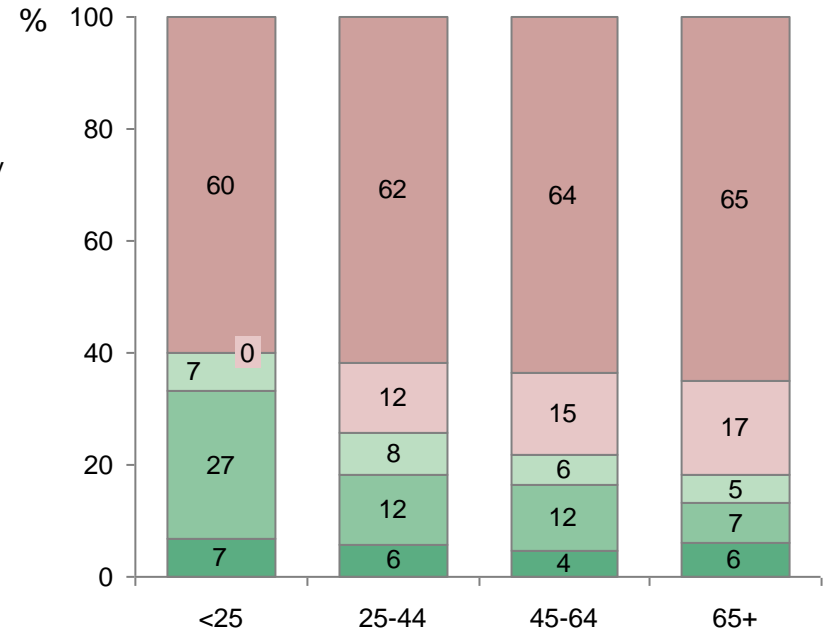
Client example: digital (sanitized)

Frequency of client website and mobile interaction by age group

## Website



## Mobile

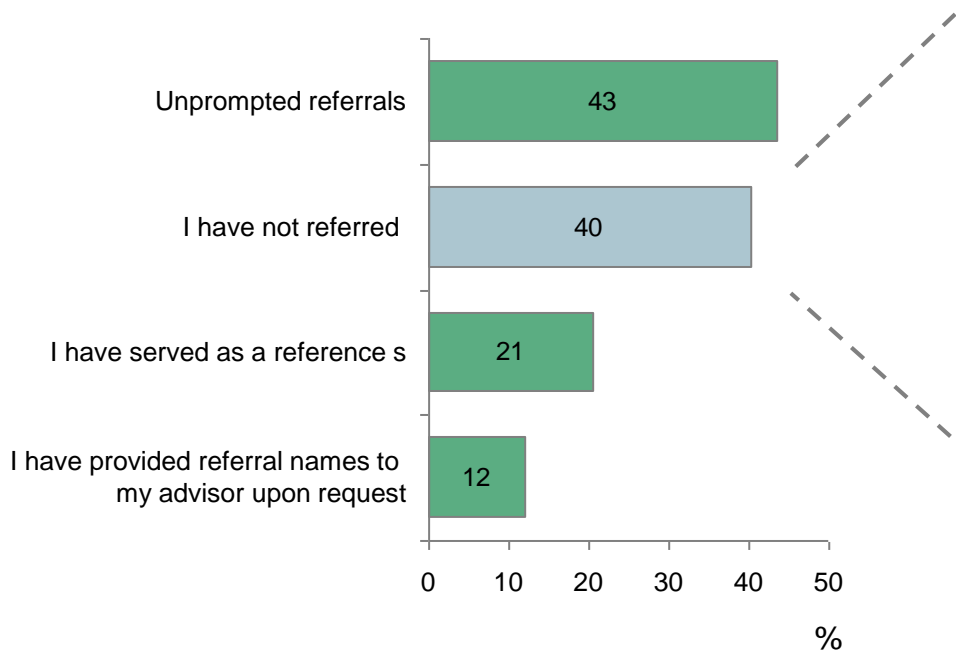




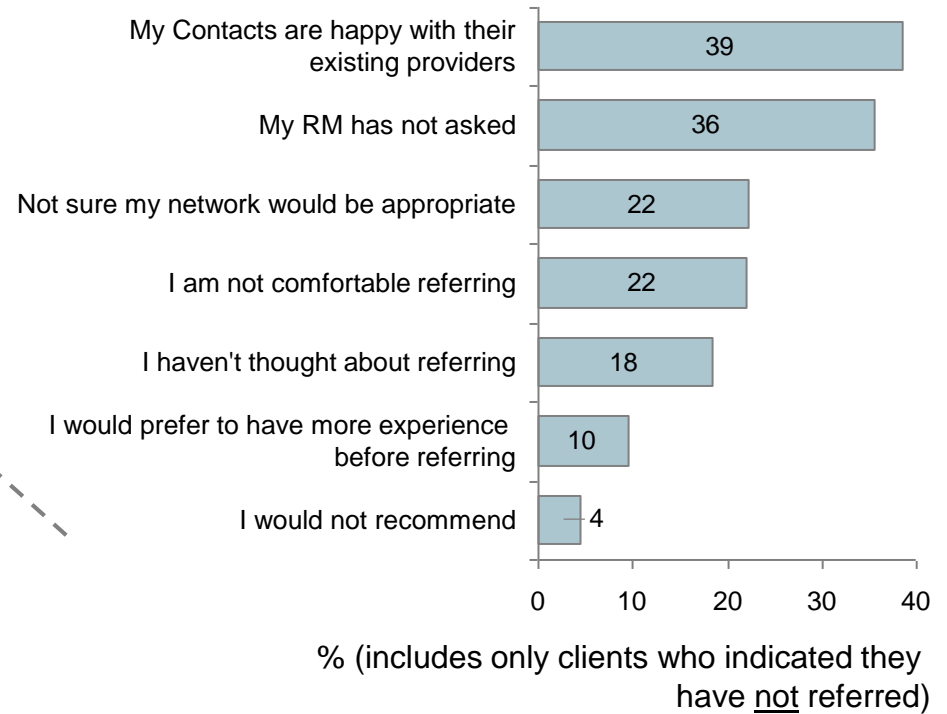
# 3. Does the experience drive superior economics?

Example: referrals (sanitized)

## Referral behavior



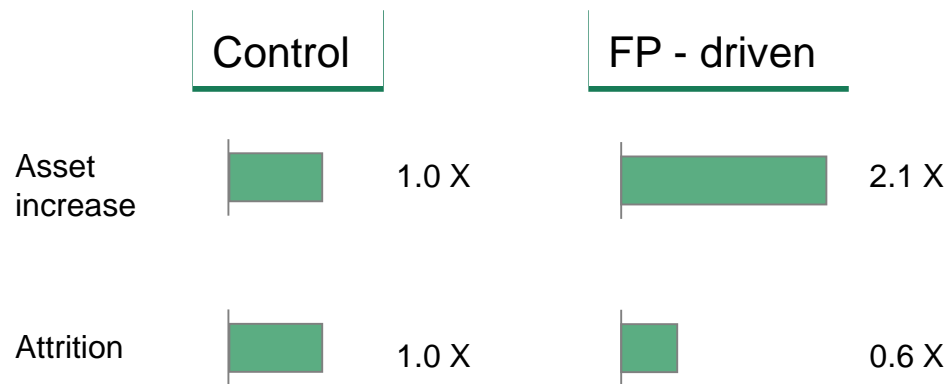
## Reasons for not referring



# 3. Does the experience drive superior economics?

Example: Financial planning discussion (sanitized)

FP-driven conversations deliver measurable improved performance



Observations

FP should be a client experience not a product

Discussions should be linked to next step

- Products, people involved, timing

FP offering varies by wealth level

- Lower – standardized product delivered in a customized way, usually free
- High – more tailored analysis, fees charged, experts involved

Issues around amount of expertise, location, pricing levels

## 4. Do you have dedicated resources to understand and deliver the ideal client experience?

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**How many people are dedicated to client experience?**

**Where do they report?**

**What is the budget?**

**What do they do?**

**Is it embedded in core business processes, e.g., coaching, product development, etc**

# 5. Can you measure and track how well you are doing?

Client example--metrics

	Your team	Benchmarks	
		Same size/tenure	PWM average
# of accounts	127	46	118
Assets	\$1,078M	\$552M	\$2,832M
Revenue	\$5,111K	\$3,044K	\$10,318K
Team size	2	2	3
Rev/RM	\$2,555K	\$1,522K	\$3,439K
Drivers of rev/RM			
• # accounts/RM	64	23	39
• Rev/account	48 bpts	48 bpts	33 bpts
• Assets/account	\$8.4M	\$12M	\$24M

**Mix of "hard" and "soft" metrics, used with the entire organization, actionable, prioritized**