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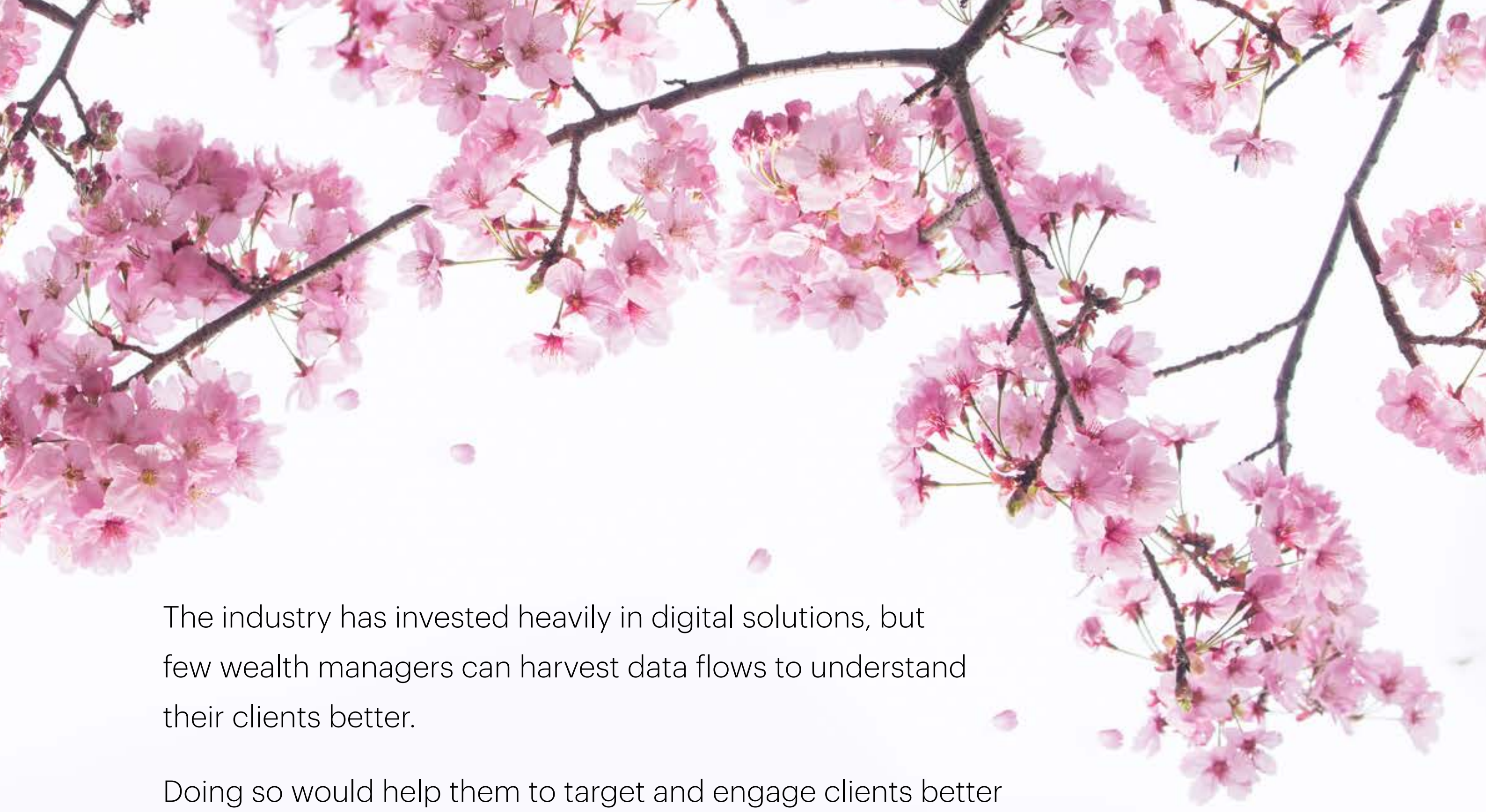
UNDERSTANDING CLIENT BEHAVIOURS CAN UNLOCK ASIA'S WEALTH OPPORTUNITY

As investors in Asia become increasingly comfortable with managing their assets digitally, wealth managers must reassess how they deliver their services.



The industry has invested heavily in digital solutions, but few wealth managers can harvest data flows to understand their clients better.

Doing so would help them to target and engage clients better by offering advice that is relevant, affordable and accessible.

Combining improved use of internal and external data with advances in technology will help the industry to understand clients better in terms of their engagement preferences, their life stage, their values and goals, and their investment attitudes.

The most successful wealth managers will use this to ensure they grasp what their clients want; deliver advice in the way those clients want it; and assist those clients to invest in the ways unique to each.

Knowing clients' investment preferences and their motivations for investing will help to provide a better service and to drive new business.

#01

A WEALTH OF SOLUTIONS FOR THE DIGITAL AGE

In recent years, investors have become more sophisticated and more welcoming of digitally enabled advice and self-service wealth solutions.

Research by Accenture of 33,000 financial services consumers in 18 markets shows that 78 percent would use support that was entirely computer-generated for their investment advice.

In the six Asian markets surveyed, the responses ranged from 66 percent in favour in Australia, to 76 percent in Japan, 81 percent in Hong Kong, 84 percent in Singapore, 94 percent in Thailand and 95 percent in Indonesia. The overwhelming majority in each country also said that sharing data should ensure that they are delivered personalised products and services for their investments.

Whether clients use a digital-only solution or rely on advice delivered directly by a relationship manager, they need advice that is:

- Relevant and holistic in nature;
- Affordable—especially for price-sensitive clients;
- Accessible, which means it can be delivered at any time and anywhere—on the client's terms.

The wealth management industry has responded to the digitisation trend by investing heavily in building digital channels and solutions, and by introducing a wide range of self-service advisory and portfolio management methods—from risk-based and thematic investing to goals-based advisory.

While this has seen them acquire huge amounts of data, most are not yet able to use it to generate insights about clients' investment preferences and motivations for investing, and in that way to drive new business.

Moreover, while customer insights can be effective in generating new leads, it has been difficult to persuade relationship managers (RMs) to embrace the digital tools available to them and move away from product-driven selling—in part because that effort is undermined by siloed organisations and misaligned KPIs.

Understanding today's client behaviour requires much more than knowing an existing or prospective customer's assets under management (AuM) or the data from the know-your-customer (KYC) process. At the same time, wealth managers want to understand their clients better, and are keen to get away from the one-size-fits-all approach and offering low-risk, vanilla products.

In other words, financial players in Asia know they must refine their approach to targeting and retaining clients, and that they need to come up with a differentiated offering and client experience. The challenge is how best to move beyond the existing one-to-one relationship that clients have with their wealth manager or with their self-service trading app.

Briefly put, getting there requires that banks tap their vast stores of internal client data, and that they look outside to leverage external sources. They must then use that data to engage clients based on their personal and family investment needs and goals, filtered through the lens of behavioural economics.

The way to succeed is to take advantage of a range of advanced technologies that are affecting the industry in the following ways:

Neurification

Artificial intelligence (AI) will dominate the wealth management front office, and consumers will expect services to be “living”: smart, adaptive and bespoke.

Democratisation

With fee structures changing, once-scarce products and services will emerge for the mass market as the cost-to-serve drops.

Disintermediation

Intermediaries will be squeezed as common platforms allow direct access. Individuals can invest by themselves rather than using a wealth manager to manage a portfolio, investing for instance in exchange traded funds to achieve diversification at low cost.

Acceleration

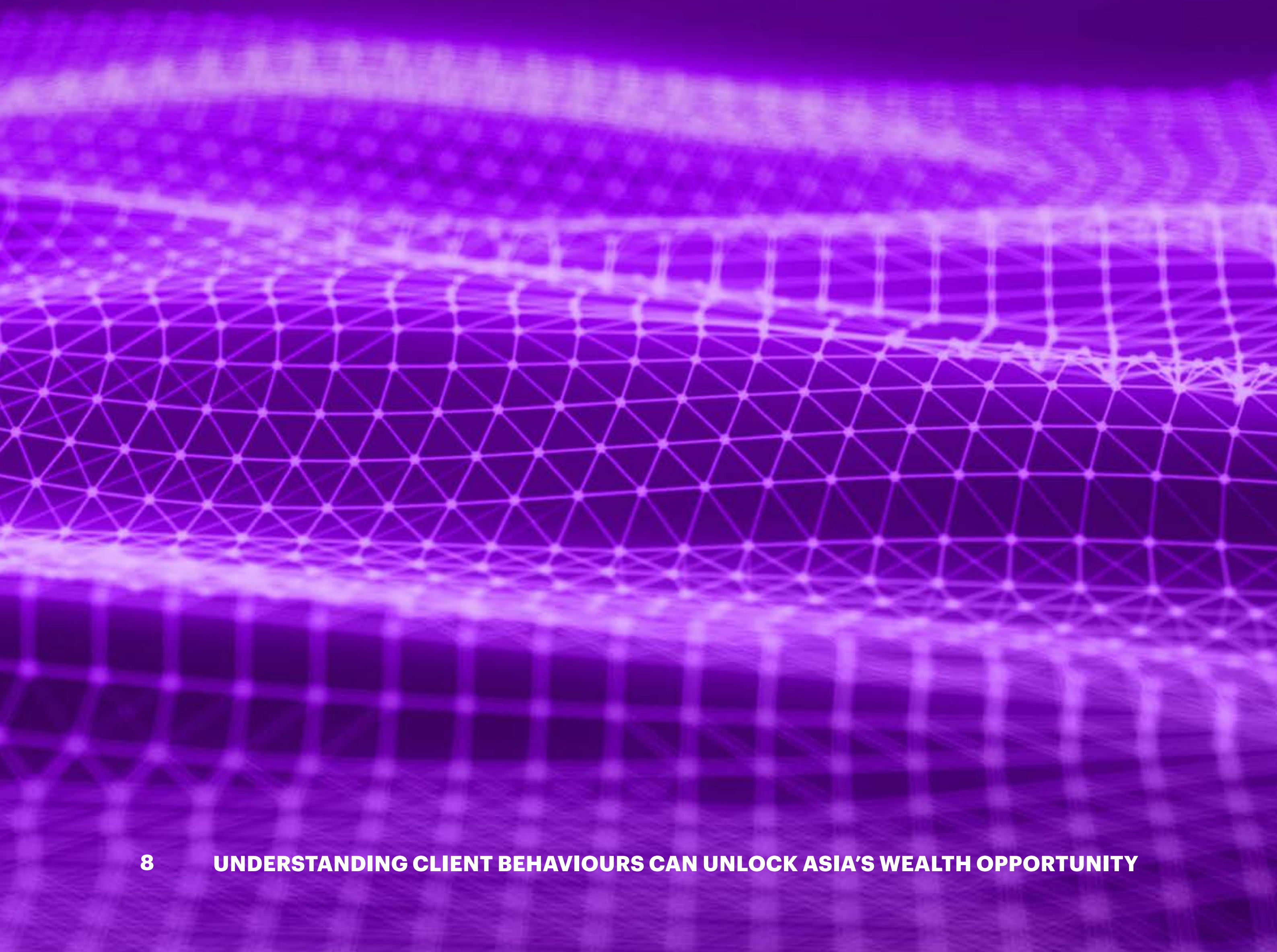
Cheap and flexible technology allows the rapid deployment of new products and services. In the wealth management industry, adapting financial technology has driven the development of digital wealth management services and platforms. High net-worth (HNW) individuals of all ages today use digital tools in many areas of their lives—and they expect the same when managing their wealth.

Successful wealth management players will incorporate this mix of data and technology to employ three strategies: first, understanding what their clients need before they invest; second, ensuring financial advice is available at the time and place and in the format their clients want; and third, helping those clients drive their wealth management activity in the ways each of them wants. All of that starts with knowing the client better.

#02

KNOW YOUR CUSTOMER EVEN BETTER

In the past, wealth managers started with (and often stopped at) segmenting clients by AuM.



Many still do, even though it has long been recognised as limiting an advisor's ability to assess a wider view of clients' assets and suitability of advice. Additionally, the internal operating models associated with this approach mean clients lack the chance to progress along the wealth services hierarchy.

Instead, banks and asset managers must apply more sophisticated ways of using external and internal data to target new clients, to improve their knowledge of existing clients, and to service, engage and organise their wealth offerings. As the diagram below shows, this requires understanding clients by their:

- Engagement preferences
- Life stage
- Values and goals
- Investment attitude

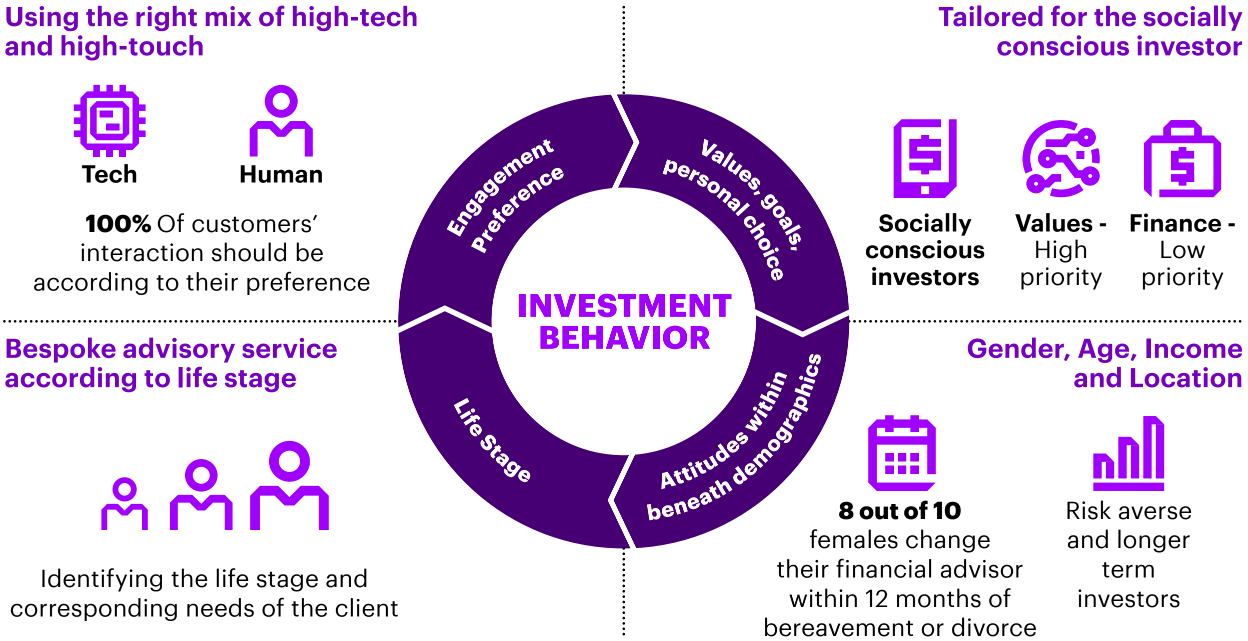
Engagement preferences

Digital interactions can provide insights into how clients want to engage. Singapore's DBS Private Bank, for instance, designed a wealth app, called iWealth, that lets clients access a wide range of services—from product information to research to self-directed trading and portfolio management. DBS claims the app boosted customer "stickiness" and saw 70 percent of those customers start managing their wealth through it.

The increasing use of digital applications like iWealth also provides useful insights about each client's engagement preferences—the so-called "digital crumbs", or trail of cookies and browsing history, that users leave online when searching for investment options, for example. One recent study found digital channels are a major source of investment decision-making, with 65 percent of Asian investors saying they research opportunities online, and 35 percent involved in "people like me" communities such as blogs and online forums.

Determining the right mix of high-tech and high-touch approaches—the right balance of engagement for each customer—allows banks to allocate resources effectively and fulfil each client's needs more effectively.

Behavioural triggers for investing



Using the right mix of high-tech and high-touch

Tech **Human**

100% Of customers' interaction should be according to their preference

Tailored for the socially conscious investor

Socially conscious investors

Values - High priority

Finance - Low priority

Bespoke advisory service according to life stage

Identifying the life stage and corresponding needs of the client

Gender, Age, Income and Location

8 out of 10 females change their financial advisor within 12 months of bereavement or divorce

Risk averse and longer term investors

Source: Accenture

Life stage

The second consideration is identifying each client's life stage and corresponding needs to provide bespoke advisory services. The financial planning goals and associated investment strategies need to be relevant beyond the client's risk appetite and profile.

Admittedly, this is not a new concept, with leading wealth players creating their versions. UBS's 3Ls strategy, for example, focuses on:

Liquidity
Resources to help maintain one's lifestyle.

Longevity
Resources to help improve one's lifestyle.

Legacy
Resources to help improve the lives of others.

The relative sizing of each "L" strategy will change during an investor's life. Innovations like this have done much to finesse such life-stage offerings; the complexity comes in linking other client data to enrich each client's profile so as to make the financial advice provided truly holistic.

Values and goals

There is an emerging trend towards outcome-based investment strategies for socially conscious investors looking to invest in companies with strong environmental, social and governance (ESG) practices.

In Asia, recent research found that 69 percent of private banks and independent asset managers reported their clients had shown "a steady or growing interest in ESG products", and that four in five private banks and independent asset managers planned to boost "the integration of ESG principles in their products" in the coming year.

Impact investing, where investors seek to generate profits alongside a positive social and environmental impact, is also growing in popularity worldwide. AuM in impact investing was recently estimated at US$502 billion, and this figure is likely to rise further as more people seek to combine impact with profits.

Motivations for engaging in sustainable investment

	(Base: 310) **Total Asia**	(Base: 65) **Singapore**	(Base: 93) **China**	(Base: 78) **Hong Kong**	(Base: 74) **Indonesia**
Helping create a better future	68%	65%	77%	56%	73%
Doing good while earning a profit	61%	68%	68%	35%	74%
Better returns	59%	62%	73%	41%	57%
Giving back to society/helping to save the environment	55%	49%	63%	46%	58%
Better risk management	50%	48%	54%	49%	49%
Diversification	39%	55%	25%	47%	35%
2018 Top 3	67% Better returns	64% Help create a better future	71% Better returns	69% Better returns	68% Help create a better future
	60% Help create a better future	68% Doing good while earning a profit	64% Diversification	60% Diversification	68% Better returns
	57% Doing good while earning a profit	58% Better returns	53% Help create a better future	54% Doing good while earning a profit	68% Doing good while earning a profit

Source: Asia Sustainable Investing Review 2019, Standard Chartered.

Additionally, a recent report forecasts that HNW investors in Asia will boost their investment allocation in sustainable investments to nearly 20 percent—with their main motive being to use their investment capital to build a better future.

Understanding clients' attitudes towards investing requires moving beyond simple demographic classifications such as gender, age, income and location, and zeroing in on behavioural attributes in their investing triggers—such as brand affinity, lifestyle preferences and financial mindset.

Consider, for instance, that wealthy female investors are yet to gain wealth managers' full attention, with nearly 90 percent saying they cannot find a financial advisor with whom they can connect. Digital advisor Nutmeg notes that female investors tend to be more risk-averse and hold investments longer-term, which helps them generate higher overall financial returns than their male counterparts.

In summary, some wealth managers might use one or all elements of the segmentation models, but typically they do so mainly for marketing purposes. However, when behavioural insights are collected and deployed systematically, the impact on the top line can be substantial.

Using data successfully means finding ways to harvest it consistently, and then applying those insights and feeding them into the prospecting, wealth-planning and investment advisory processes.

Let's take a look at how behavioural insights can be extracted through a deeper understanding of typical marketing personas (see graphic). While basic demographic parameters for different individuals could be near identical, their attitudes towards brands, their investment preferences and, more importantly, their readiness to act may be completely different.

Comparing behaviours and attitudes of marketing Personas

40+ Age
F Female
SE Self-employed
CTL Capital city

Jill is a self-employed above 40, living in the Capital City

Values

- Low AUM (50k)
- Moderate income (55k)
- Moderate in unsecured (2%)

Money mindset/ Lifestyle

- Familiar with all lending products, having both AUTO loan and mortgage
- High revolving spender, enjoy shopping across categories, but struggle to pay bill

Personalised marketing

Never stop pampering yourself, even if you can't make ends meet.

Consumer loan group penetration
3.0%

Propensity to borrow group score
24.0%

40+ Age
F Female
SE Self-employed
CTL Capital city

Jean is a self-employed above 40, enjoying a single life in the Capital City

Values

- Very high saving (700k)
- High income (100k)
- Low unsecured (0.5%)

Money mindset/ Lifestyle

- Affluent self-employed, working hard to grow her wealth
- Saving in fixed deposit and mutual fund (low-risk products)
- Cautiously spends cross categories, and pays credit card balances in full

Personalised marketing

Don't wait till you retire to travel. Go now, pay later.

Consumer loan group penetration
0.5%

Propensity to borrow group score
5.0%

40+ Age
F Female
SE Self-employed
CTL Capital city

Joey is a successful business owner above 40, living in the Capital City

Values

- High AUM (200k)
- Very high income (150k)
- High unsecured (6%)

Money mindset/ Lifestyle

- Living her life to the fullest, spending across categories, especially in Beauty and Home
- Running on all types of loans (unsecured, secured), regardless of her high AUM and very high income

Personalised marketing

Time for a change of pace? Travel the world as a crazy rich Asian.

Consumer loan group penetration
8%

Propensity to borrow group score
68.4%

Source: Accenture

#03

DEPLOYING OPEN DATA TO SUCCEED

Most investment managers are closer than they think to gaining this deep customer knowledge, and that is because they already segment clients by at least one of the parameters outlined earlier.

However, many feel they have a long way to go. A recent survey found that while 74 percent of global wealth managers believe adopting big data and machine learning innovation will create significant business value, 70 percent do not consider that their data management capabilities and data protection compliance practices are sufficient when it comes to the opportunities open banking creates.

Additionally, outdated KPIs mean 68 percent struggle to adapt to the digitally enabled operating environment in areas such as digital sales.

Delivering personalised advice and recommendations digitally is much more than a marketing exercise. Providing truly personalised, holistic advice also means ensuring the right data infrastructure is set up with tangible business use-cases in mind, assessing operating model changes and platform alignment, and having well-defined value propositions, among other factors.

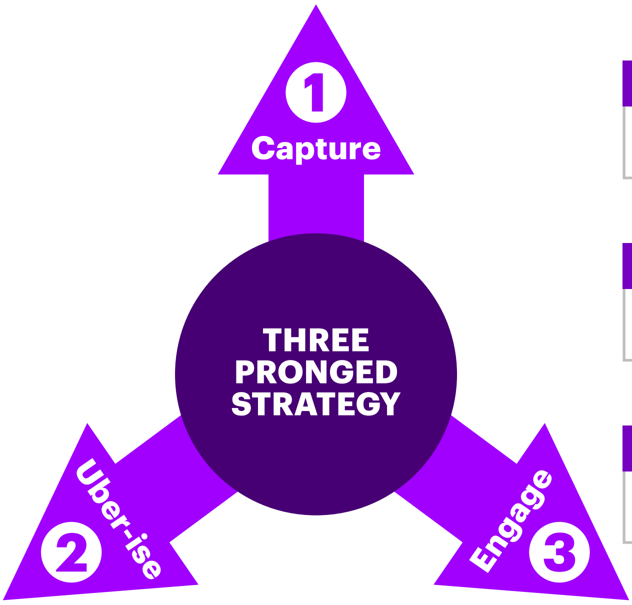
As wealth managers and banks look to improve how they engage with customers, we have identified three strategies they can use to capitalise on the opportunities ahead (see chart):

1. Capture client sentiment
Understand each client’s intent to invest and underlying needs before they decide to invest.

2. Engage
Use advice-matching to deliver relevant investment recommendations.

3. “Uber-ise” financial advice
Engage and enable clients to drive their wealth activity in the ways they want.

Synergize changing client needs and new technologies



1. Capture client needs
Use advanced algorithms to harness a wide range of data sources and generate client insights.

2. Uber-ise financial advice
Enhance machine learning and applied intelligence capabilities to provide quality on-demand financial advice.

3. Engage and enable customers
Revamp digital engagement strategy to facilitate the co-creation of investment products and portfolios.

Source: Accenture

1. Capture clients' sentiment before they decide to invest

Today Asian clients spend more time online on financial management matters than ever before—browsing products and researching and monitoring stocks. For banks and wealth managers, being able to capture that digital behaviour by applying data analytics to internal and external data sources allows them to understand each client's interests and investment sentiments before that client decides to invest. Knowing this means they can provide that client with highly relevant investment, financial and non-financial recommendations as part of the advice journey. And, as the chart below shows, the amount of potential data available is vast.

Let's take the example of a financial services provider that sought to identify loan prospects before a potential client had decided which loan to apply for. The bank used data-harvesting and machine-learning tools to retrieve the potential client's browsing history; gathered information gleaned from web browsing, downloaded mobile apps and the person's social media profile; and, if it had internal records for that person, matched the data to those records.

It then enriched this with a range of demographic and financial data to identify prospects who looked to have the greatest interest and likelihood of accepting an offer and becoming a client. The result? The bank increased the conversion of its marketing offers 1.5 times, and cut its customer acquisition cost by 40 percent.

With so much data available, the potential to create insights across the wealth lifecycle is vast

NEW DATA

Mobile app Ownership*
180M Device IDs in the US

Life events
200M US individuals with 300+ demographic attributes

Online browsing
200M Daily events (search, click, view & share) captured

Geo location
300M Unique devices with 15B monthly visits captured across 600+ brands

Social media
90M Social personas across celebrities, TV shows, magazines etc

Wealth & Credit
200M US individuals with 300+ life stage & wealth attributes

Identity resolution
200M US individuals having 300+ attributes

Life Moments
80% Of US population

Payments
50M Household's card spend data

Brand affinities
90M Consumer profiles including 7.5K brand affinities

2. Use advice-matching to deliver relevant investment recommendations

Many clients value advice and human interaction, which is why success is about more than simply matching advisors to client behavioural preferences and giving them the right digital enablers. Other than segmenting customers, AI-powered "advice match" can be used to link a customer's profile with an advisor who has the knowledge of products or investment areas that the client would value.

One leading global wealth manager applied this approach successfully when it identified high AuM outflows from high net worth clients, and wanted to take preventative measures. The challenge was that it could not identify which clients were likely to leave.

The bank used machine-learning algorithms to analyse vast amounts of internally held client data collected from their activities on its digital channels and through RM interactions. It then built a predictive model that used clients' behavioural and transactional data to determine which metrics were most likely to result in a client leaving. That made it possible to identify clients who were likely to transfer their assets out.

The bank then used that information to enable its advisors to deliver more personalised advice to its clients. This allowed the bank to identify its most at-risk clients, and take actions that saw it retain 45 percent of them.

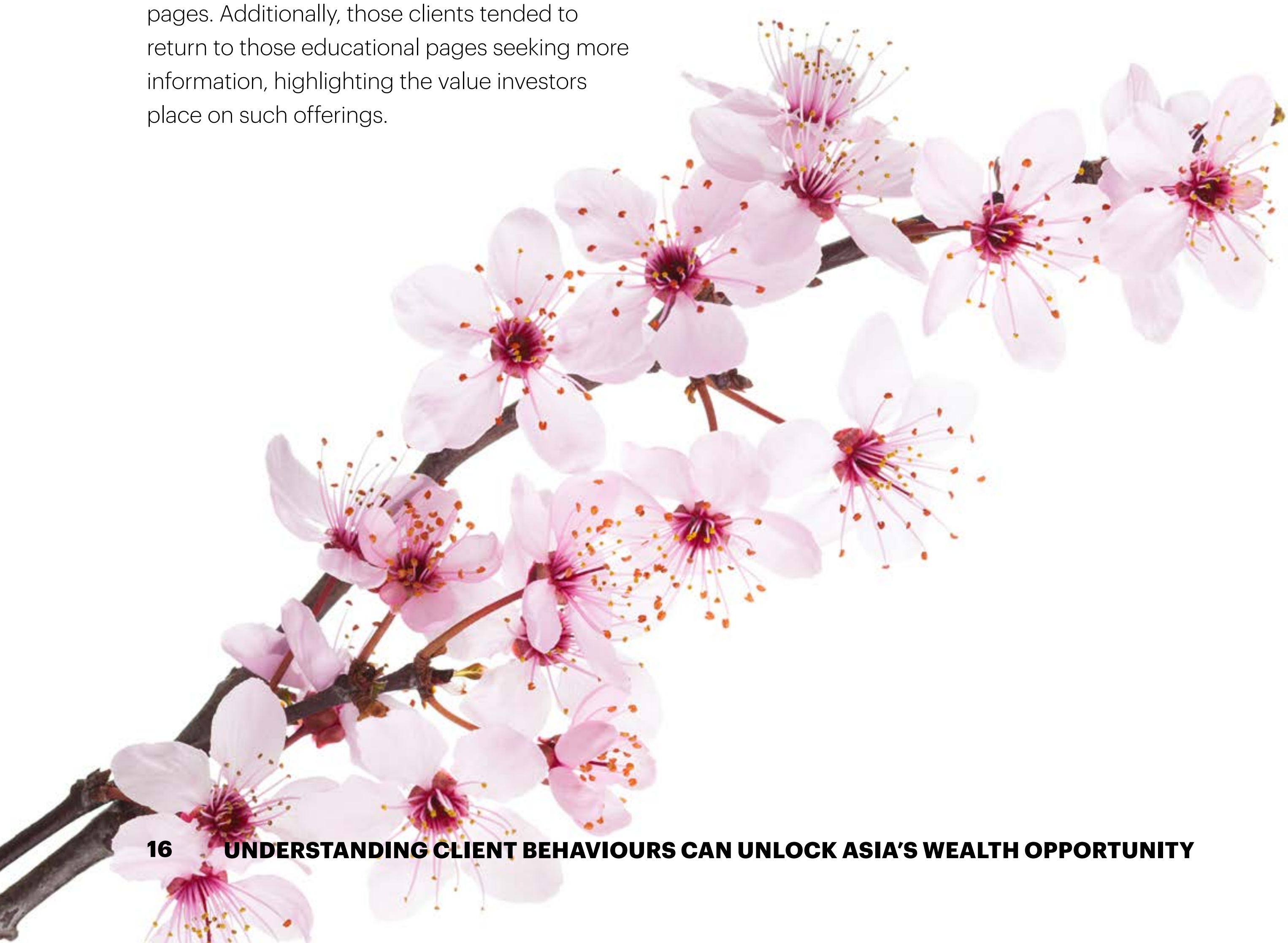
3. Uber-ise financial advice: Engage and enable clients to drive their wealth activity the way they want

Clients increasingly want access to their wealth manager at any time, in any place, and in any format or channel. A survey by Wells Fargo shows that 84 percent of investors say financial advisors "will always be needed and will not be replaced by automated investing technology", with most respondents keen to communicate with their advisor on a regular basis each year. Some 56% would prefer to work with an advisor "who uses automated investing tools on their behalf". This marks an opportunity for banks to leverage digital platforms to offer more effective customer engagement, which can help wealth managers better understand and target client needs.

Some already do this. A leading Asian financial services provider, for example, found its mass-affluent clients who trade frequently spent four times as much time on a page with educational investment content as they did on transactional pages. Additionally, those clients tended to return to those educational pages seeking more information, highlighting the value investors place on such offerings.

In another case, UBS offers its customers a platform on which they can design and trade structured products using analytical tools, dashboards and execution services in a single place. Structured product investors can use the single-dealer platform to create customised, actively managed certificates (AMCs).

The concept of gamification here can be powerful. In this non-game context, banks apply standard game-design elements and principles to create structured products. In this way data can be collected about the client's financial and non-financial objectives, such as their attitudes towards ESG, climate change or social justice. This data allows the bank to become more effective at client engagement. It also makes the client more likely to stay with the bank's specific products or services.



Protecting privacy – by design

The ever-greater desire to obtain insights from client data comes at a time when data protection and customer privacy concerns are growing. This raises the important question of how wealth managers can use digital platforms and the wider ecosystem and remain on the right side of data privacy laws.

The most significant of these laws globally is the EU's General Data Protection Regulation (GDPR). It came into force in May 2018, and its aim is to give EU citizens more control over their data. All companies operating in the EU must comply with its provisions if they are based in the bloc—as must those based outside but target EU citizens.

GDPR is increasingly influencing the discussion around the world, including in Asia. For that reason, one of the first steps banks and wealth managers should take is to incorporate Privacy by Design, an approach that ensures privacy is built into all systems and products.

Privacy by Design requires, for example, that companies get consent to obtain the customer's data, they do not use it for other purposes, they do not keep it for longer than is necessary, and they keep it securely. Following the Privacy by Design approach helps ensure that firms' holding of personal data will be compliant with relevant laws.

Pseudonymisation and anonymisation

GDPR encourages pseudonymisation and anonymisation as a way by which firms can meet their data compliance obligations.

- Anonymisation scrubs all information that could be used to identify someone.
- Pseudonymisation replaces most identifying fields in a data set with so-called pseudonyms, which are artificial identifiers.

Using pseudonymisation ensures that not all of the information on that person is in one place, and that makes it much harder (though not impossible) to identify them. Anonymisation makes it impossible to know who they are.

Pseudonymisation is considered suitable for analysis and profiling purposes, allowing firms to conduct market behaviour studies to better understand their customers, and to do so with a lower data-compliance risk. In the case of banks and wealth managers, this can help to offer clients targeted investment products that they will value.

4. Know every client and deliver value to every client

Clients want to receive holistic financial planning advice that extends beyond purely transactional investing. And while investment product cross-selling and net AuM gains are at the heart of many wealth businesses, the leaders of the future will focus on delivering relevant solutions to clients at the right time and place.

By applying micro-segmentation as a means to personalising and enriching the client's wealth journey, the wealth management industry has an opportunity to adopt some of the successes in retail banking by harvesting clients' digital footprints. Doing so, will help them to get to know their clients better and adapt new ways of targeting and engaging them.

To enable this, banks must prioritise building their analytics and data infrastructure capabilities—in particular, in the areas of AI, machine-learning and deep-learning. Specifically, banks can leverage new technologies so that relationship managers and investment advisors can have a greater impact.

Technology will therefore force huge shifts in this industry. Responding to what is needed, however, goes far beyond merely appointing a chief data officer, building data lakes or amassing data. The shift towards a data-driven business requires commitment at the board level, as well as regulatory support to ensure that banks can deliver what clients will value.

How Accenture can help

Future success in the wealth management industry requires firms to find a balance in harnessing innovative technologies for delivering the personalised and secure services their customers want. As such, established wealth players are seeking to rapidly build differentiating digital capabilities that enable their advisors to provide customised and tailored client advice journeys.

At Accenture, we are at the forefront of helping financial services organisations to adapt to market developments and evolve their wealth management offerings. We offer a range of proprietary solutions to help our clients build the differentiation and capability required to propel their business.

Accenture's Intelligent Revenue Growth offering brings together next-generation data analytics solutions to be able to fully utilise internal and external data. The ID-matching engine captures, consolidates and profiles the customer based on a combination of internal data and external data—for example, by occupation, channel usage, propensity to purchase, asset holdings in other financial services companies, and historic transactions. Such complex modelling creates an opportunity to generate deeper client insight and identify intent, thereby generating more relevant customer offerings at the right time and in the right medium.

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About Accenture

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