Capgemini

WORLD WEALTH REPORT 2019



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Preface

Wealth firms must strategically empower their managers and clients for deft navigation of economic and industry disruption

After seven consecutive years of growth, global high-net-worth-individual (HNWI)[1] wealth declined in 2018, primarily driven by a slump in equity-market performance and slowing economies in key regions.

Amid significant global wealth decline, Asia-Pacific and European-region HNWIs were most affected, given declining markets and decelerating economic growth (especially for Asia-Pacific). Asia-Pacific accounted for half of the US$2-trillion global wealth falloff, while Europe accounted for about one-quarter of the overall decline – or US$500 billion. Most of the global HNWI wealth decline can be attributed to the higher wealth segments. Ultra-HNWIs[2] accounted for 75% of the decline, and mid-tier millionaires made up 20% of the total global decline.

As international markets and HNWI wealth weakened, HNW clients shifted asset allocations. Cash and cash equivalents replaced equities to become the most significant asset class in Q1 2019 as HNWIs became more risk-averse in preparation for a potential market downturn and loss of equity portfolio value.

At the same time, the overall wealth management industry is at crossroads. The wealth management executives we interviewed said that they face disruptive challenges as they attempt to grow their business. They cited the push for innovation through analytics, the entry of BigTechs, and fee structure pressure as forces that will drive the industry in the coming years.

Despite a volatile economic environment and shifting industry landscape, HNWIs' trust/confidence and satisfaction in wealth management remained strong. Satisfaction with wealth managers and wealth management firms also inched upward, possibly thanks to significant efforts by firms and wealth managers to enhance the client experience. In parallel, however, HNWIs continued to demand greater value from wealth management firms throughout their financial journey. As a key example, fees remain a concern as clients demand personalized offerings with a focus on value creation.

Our analysis also found a quantifiable correlation between solid personal connection with HNW clients and the financial performance of wealth management firms, which underscores the importance of wealth manager/client relationships – even in the digital era.

Therefore, to navigate the current challenging paradigm, firms must enable wealth managers to enhance the client experience even further. Wealth managers identified significant gaps in capabilities they believed were needed to deliver client value but said their firms did not prioritize proficiencies, including wealth planning and tool modernization. Firms that understand and respond to wealth managers' expectations by adopting critical technologies (such as artificial intelligence) across their value chain will firmly position themselves for business growth.

The use of technology and closing expectation gaps will aid survival, but to lead the agenda and prepare for a future based on a wholly transformational and open environment, one that we call Open X, a reassessment and possible overhaul of strategy and business models may be necessary. We hope our report offers fodder for your strategic and transformational discussions.



Anirban Bose

Financial Services Strategic Business Unit CEO
& Group Executive Board Member, Capgemini

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[1] HNWIs are defined as those having investable assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables.

[2] For the purposes of our analysis, we separate HNWIs into three discrete wealth bands: those with US$1 million to US$5 million in investable wealth (millionaires next door); those with US$5 million to US$30 million (mid-tier millionaires) and those with US$30 million or more (ultra-HNWIs).

Executive summary

Asia-Pacific drives 2018 global wealth decline, the first in seven years

- Driven by a slowing economy in key regions and a slump in equity markets, global HNWI population and wealth declined after seven consecutive years of steady growth.
- Asia-Pacific, a global powerhouse for the last seven years, was negatively impacted the most, with China being the key reason by accounting for almost 25% of global wealth decline while Europe also experienced a noticeable dip in HNWI wealth.
- The Middle East recorded the only increase in both HNWI wealth and population.
- North America's performance remained almost flat while Latin America's performance was mixed.
- The wealth of ultra-HNWIs (who represent 1% of HNWI population) declined 6% but accounted for three-quarters of total global wealth decline and was the hardest hit by global economic and political turbulence.
- Amid geopolitical and trade concerns, near-term global economic recovery remains uncertain.

HNWI trust and satisfaction with their wealth managers and firms remained strong, but firms must continue to enhance client experience to keep up with rising expectations

- HNWI asset allocation shifted significantly, with cash becoming the largest asset class in Q1 2019 and an increased focus on alternative investments in response to declining markets.
- Despite declining wealth, HNWI trust and confidence in wealth managers remained strong, and satisfaction levels also improved.
- As the wealth industry evolves and HNWI expectations shift, key opportunities exist for wealth management firms to better meet rising client expectations regarding personalized offerings, service quality, and fee transparency.

Next-gen capabilities can empower both wealth managers and clients

- Wealth management firms and wealth managers are expected to face disruptive challenges, such as increased acceptance of new technologies (artificial intelligence and analytics), the entry of BigTechs, and pressure of fee structures over the next few years.
- We found a measurable correlation linking HNW clients' personal connection to their firm/advisor and the financial performance of firms, which underscores the importance of personal relationships — even in the digital era.
- To enhance client relationships, firms must empower wealth managers via the use of digital tools and financial planning resources, which wealth managers identified as significant gaps requiring firm attention.
- To address client needs and implement insights-based solutions, emerging technologies (AI, digital analytics, and intelligent automation) will need to be a vital part of firms' strategic response.
- While emerging technologies are critical, preparation for the upcoming transformative and completely open financial services environment may require firms to realign their overall strategy and service-delivery models.



Asia-Pacific drives 2018 global wealth decline, the first in seven years

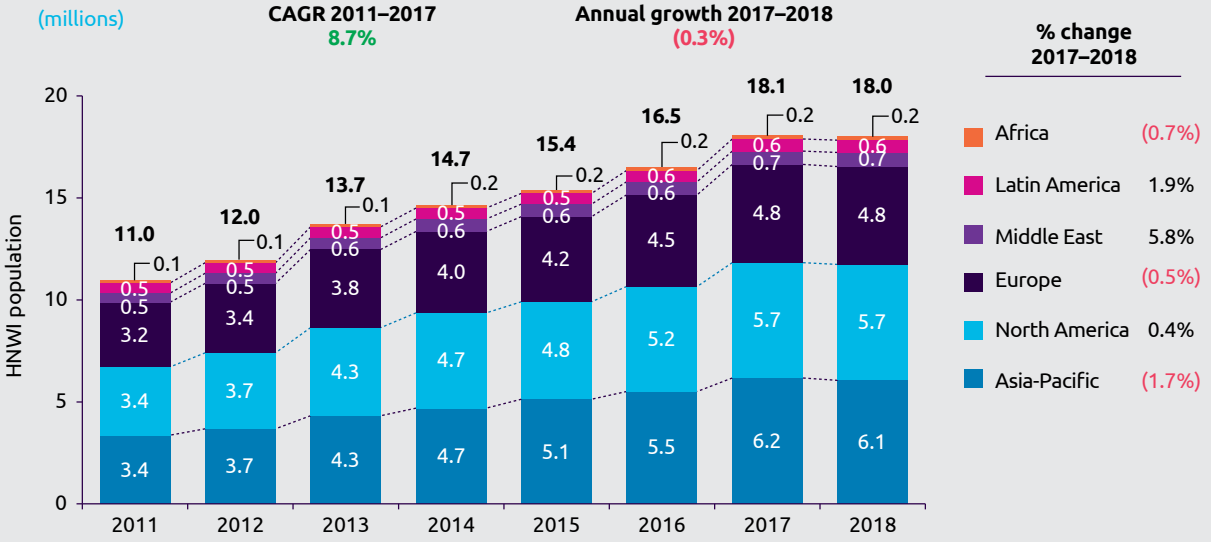
- **Global high-net-worth-individual (HNWI) wealth declined (by 3%) for the first time in seven years, primarily driven by a slump in equity-market performance and slowing economies in key regions.** After a stellar 2017, stock markets faced turbulence in 2018 as global market capitalization declined by 15% amid high volatility.
- **Against a backdrop of significant global wealth decline, Asia-Pacific was impacted the most while Europe also experienced a noticeable dip in HNWI wealth.** Asia-Pacific, a global powerhouse for the last seven years, accounted for 50% of global wealth decline led by China, which accounted for 25% of the global wealth decline. Europe was responsible for about 24% – or US$500 billion – of the overall $2-trillion decline in HNWI wealth.
- **The Middle East offered the only positive news while North America's and Latin America's performances were mixed.** The Middle East recorded an increase in HNWI population and wealth (6% and 4%), while North America was almost flat. Latin America witnessed HNWI wealth declines of 4% even though population increased by 2% as ultra-HNWIs, who dominate the wealth landscape, are more vulnerable within a declining economic scenario.
- **Ultra-HNWIs accounted for 75% of total global wealth decline.** Ultra-HNWI population and wealth decreased by 4% and 6% respectively, and along with mid-tier millionaires (20% of overall HNWI wealth decline), accounted for nearly all declines as millionaires next door were almost flat compared with 2017 wealth figures.
- **Within an atmosphere of upheaval, near-term global economic recovery remains uncertain.** Geopolitical and trade concerns have left the global economy and stock markets on a low note for the year.

Global HNWI population and wealth declined after seven consecutive years of growth

For the first time in seven years, global HNWI population and wealth declined by 0.3% and nearly 3%, respectively. The downward trend was significantly evident in Asia-Pacific and Europe, while North America remained flat. Meanwhile, the Middle East region bucked the trend, with nearly 6% growth (Figure 1).

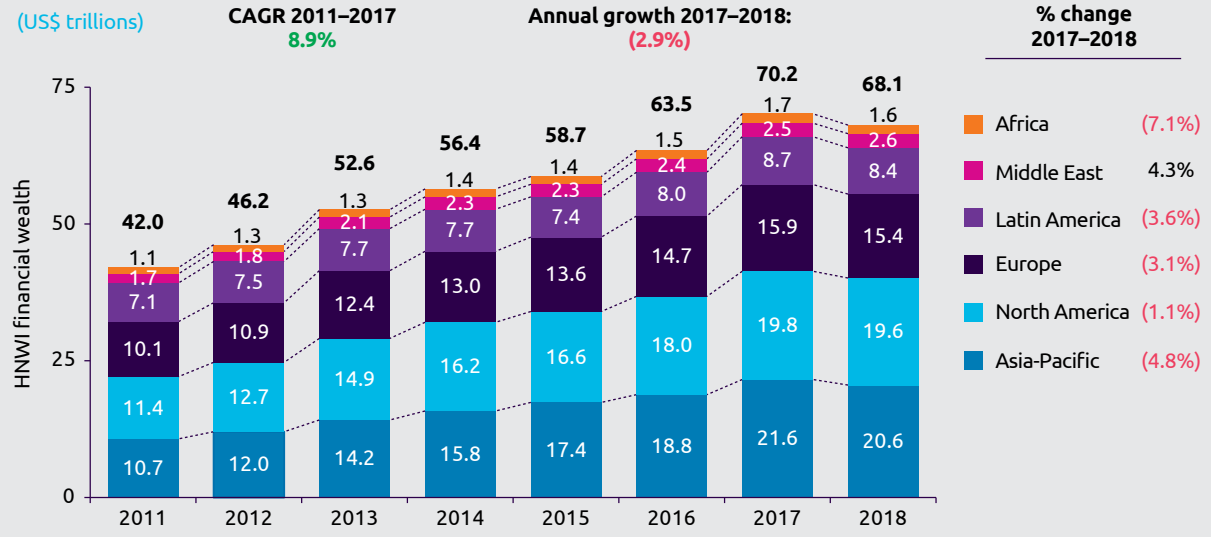
A significant slump in equity markets, combined with a slowing economy, were critical reasons for the global decline.

Figure 1. Number of HNWI by region (millions), 2011–2018



Note: Chart numbers and quoted percentages may not add up due to rounding.
Source: Capgemini Financial Services Analysis, 2019.

Figure 2. HNWI financial wealth by region (US$ trillions), 2011–2018



Note: Chart numbers and quoted percentages may not add up due to rounding.
Source: Capgemini Financial Services Analysis, 2019.

After a stellar performance in 2017, stock markets faced turbulence in 2018. Amid high volatility, global domestic market capitalization declined by nearly 15% in 2018 (Figure 5). Multiple factors – including a struggling global economy, international trade conflicts, and rising concerns regarding tightening monetary policies – spurred market upheaval. All regions faced market capitalization decline, with Asia-Pacific affected the most (down almost 24%).[3]

Asia-Pacific and Europe were the most negatively impacted while Middle East was the lone bright spot in 2018

With a 2% decrease in HNWI population and a nearly 5% dip in HNWI wealth, Asia-Pacific accounted for half of the US$2-trillion global wealth falloff (Figure 2). Throughout the last seven years, Asia-Pacific has been a driver of HNWI wealth, with overall growth of 92% since 2011, compared with global growth of 62%. Subsequently, a decline in HNWI wealth significantly affected global wealth growth overall. Hong Kong has been consistently sensitive to equity market movements over the years and has experienced the highest gains and declines in HNWI wealth, in a bull or bear market, respectively. In line with that behavior, this market experienced the steepest declines in HNWI wealth (13%) and population (10%) in 2018 across the globe. Decelerating GDP growth and declining market capitalization drove wealth down.

China made up nearly 53% of the overall Asia-Pacific wealth decline and therefore accounted for more than 25% of the global HNWI wealth decline. Chinese markets lost more than $2.5 trillion in market capitalization due to uncertainties in US-China relations and pressure on the yuan. Other major economies to show a decline in HNWI wealth were Japan and India, with negative growth rates of around 3% and 6% respectively. India declined slightly as its economy slowed in 2018 and struggled to create jobs as unemployment rose to its highest in recent years.

Europe was responsible for about 24% – or US$500 billion – of the overall $2 trillion decline in HNWI wealth. Europe experienced a nearly 0.5% decrease in HNWI population and a 3% decrease in HNWI wealth.

HNWI wealth performance in the United Kingdom took a significant hit with a 6% decline. The UK economy grew by only slightly more than 1% in 2018, its lowest since 2012. Political paralysis triggered by Brexit stirred market uncertainty, with key sectors such as manufacturing and construction sectors seeing a decline.[4]

With the global slowdown as the backdrop, HNWI wealth and population segments in Germany also declined. German exports were down while the auto sector struggled to meet new and more rigorous emission standards.

North America was one of three regions to record an increase in HNWI population (0.4%), although HNWI wealth decreased slightly by 1%. HNWIs in the United States outperformed those in other developed nations as a result of economic growth – US GDP rose by 3% in 2018 compared with 2% in 2017 as unemployment shrank and wages inched upward.[5] Canada, on the other hand, felt the effects of jittery financial markets with HNWI population and wealth declining by 4% and 6% respectively.

The Middle East put up impressive HNWI population and wealth growth numbers in spite of the global scenario. Improving oil prices combined with significant fiscal and structural reforms to combat the impact of declining oil prices, stabilized the region's economic platform.

Saudi Arabia and Kuwait, two major Middle Eastern economies, demonstrated impressive growth on account of improving GDP growth and strong financial market performance. In Saudi Arabia, HNWI population and wealth increased by 7% and 4%, respectively, while in Kuwait, it increased by 8% and

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[3] World Federation of Exchanges, "The World Federation of Exchanges publishes 2018 Full Year Market Highlights," February 12, 2019, https://www.world-exchanges.org/news/articles/world-federation-exchanges-publishes-2018-full-year-market-highlightspressrelease.

[4] *Business Insider*, "There's now clear proof the threat of no deal Brexit is hurting the UK economy," Will Martin, February 11, 2019, https://www.businessinsider.in/Theres-now-clear-proof-the-threat-of-no-deal-Brexit-is-hurting-the-UK-economy/articleshow/67942613.cms.

[5] *Washington Post*, "GDP revised downward for 2018 as US economy shows more signs of slowing," Heather Long, March 28, 2019, https://www.washingtonpost.com/business/2019/03/28/us-economic-growth-revised-down-slightly-commerce-department-says/?noredirect=on&utm_term=.a8f7c4f3b11e.

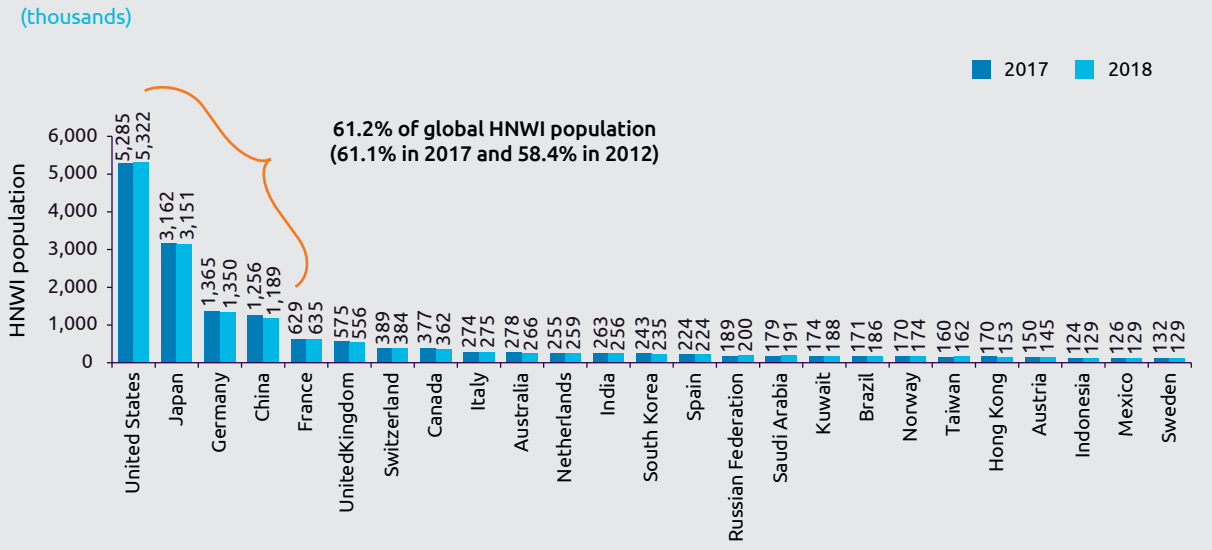
6% respectively. The picture was not as favorable for the UAE where HNWI population and wealth declined by 6% and 9% respectively, primarily due to market capitalization decline.

In Latin America, where ultra-HNWIs dominate the wealth landscape and are more vulnerable within a declining economic scenario, overall HNWI wealth dipped by 4% even though population increased by 2% in 2018. Latin America's largest economy, Brazil, experienced 8% HNWI population growth while wealth declined by 3% in 2018.

Looking at the top-four markets, the United States, Japan, Germany, and China represented 61% of the global HNWI population – similar to the previous year (Figure 3). Among the top three countries in HNWI population, the United States improved its dominance slightly with around 1% growth, while HNWI population growth in Japan and Germany declined by half of 1% and slightly more than 1%, respectively. China's HNWI population dropped the most with more than 5% negative growth.

Although Italy grappled with political and economic crises in 2018, it managed to overtake Australia in HNWI population ranking by moving to ninth place while Hong Kong slipped two slots into the 21st position because of corrections in stock market and property prices accompanied by regional headwinds originating from the slowdown in China (Figure 3).

Figure 3. HNWI population by country, 2017–2018



Annual growth (%) 2017–2018	1%	(0.4%)	(1%)	(5%)	1%	(3%)	(1%)	(4%)	0.4%	(4%)	2%	(3%)	(3%)	0.1%	6%	7%	8%	8%	2%	1%	(10%)	(3%)	4%	2%	(3%)
Ranking change 2017–2018	–	–	–	–	–	–	–	–	+1	–1	+1	–1	–	–	–	–	–	–	+1	+1	–2	–	+3	+1	–2

Note: Chart numbers and quoted percentages may not add up due to rounding.

Source: Capgemini Financial Services Analysis, 2019.

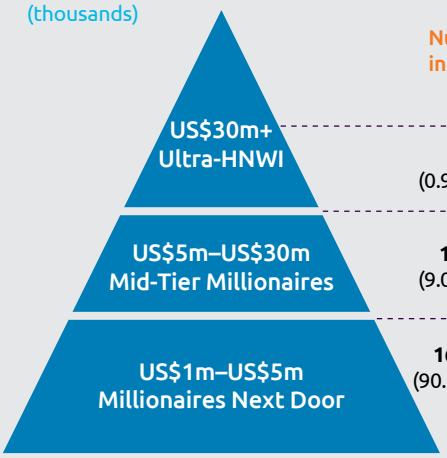
Among wealth bands, economic turbulence hit ultra-HNWIs hardest

Ultra-HNWI population and wealth declined by around 4% and 6% respectively, compared with almost flat overall HNWI population growth and a 3% decline in HNWI wealth. Compared with last year, ultra-HNWIs experienced the broadest change in population and wealth growth – down by more than 15 percentage points (Figure 4).

Meanwhile, the millionaire-next-door segment (which makes up almost 90% of the HNWI population) was affected the least in 2018. Population was virtually flat, with only a slight decline, and wealth dipped by less than half of 1%, signifying that nearly all declines in HNWI wealth and population were driven by the ultra-HNWI and mid-tier millionaire segments.

Despite being a relatively small HNWI market, Latin America accounted for the highest share (28%) of global ultra-HNWI wealth. Latin America, along with the second-largest ultra-HNWI market Asia-Pacific (which experienced an almost 10% decline in ultra-HNWI wealth), fueled the overall global decline in ultra-HNWI wealth.

Figure 4. Global number of individuals per wealth band (2018) and growth (2017–2018)



	Number of individuals 2018	HNWI population		HNWI wealth		% of HNWI wealth 2018
		CAGR 2011–2017	Growth 2017–2018[a]	CAGR 2011–2017	Growth 2017–2018[a]	
US$30m+ Ultra-HNWI	**168.1 k** (0.9% of total)	9.8%	(3.9%) (15.1PP)	8.9%	(6.3%) (18.3PP)	33.7%
US$5m–US$30m Mid-Tier Millionaires	**1,614.4 k** (9.0% of total)	9.3%	(2.3%) (12.7PP)	9.3%	(2.6%) (13.1PP)	22.6%
US$1m–US$5m Millionaires Next Door	**16,240.7 k** (90.1% of total)	8.6%	(0.1%) (9.5PP)	8.7%	(0.4%) (9.9PP)	43.8%

a. PP in parentheses denotes the percentage change in 2017–2018 over 2016–2017.
Note: Chart numbers and quoted percentages may not add up due to rounding.
Source: Capgemini Financial Services Analysis, 2019.

Amid the upheaval, world economic recovery remains uncertain

Global stock markets started 2018 with a strong note, but as the year progressed, momentum was lost, and the year ended on a low note – primarily because of growing interest rates and trade concerns. Geopolitical unrest and trade wars forced countries to adopt a loose monetary policy to encourage economic growth.[6]

Another blow to the global economy was the decline in world trade, which shrank from 5% at the start of 2018 to almost zero toward the end of the year. Trade wars may drag the global economy down further, coupled with higher rates and market volatility.[7]

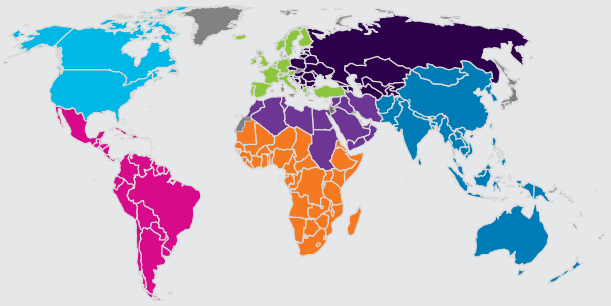
In the near term, HNWI investment in stock markets and technology is expected to be somewhat sluggish as they look to hold on to their cash. Uncertainty surrounding Brexit, unrest in Venezuela, and trade conflicts between major economies, may challenge short-range business and industry predictions.

[6] *Schroders*, "Infographic: Annual review of the world economy in 2018," Schroders Economics Team, December 21, 2018, https://www.schroders.com/en/insights/economics/infographic-annual-review-of-the-world-economy-in-2018/.

[7] *World Economic Forum*, "10 predictions for the global economy in 2019" Nariman Behravesh, January 4, 2019, https://www.weforum.org/agenda/2019/01/what-to-expect-for-the-global-economy-in-2019/.

Figure 5. Real GDP and market capitalization growth, 2017–18 (world and select regions)

(%)



North America

	2017	2018
GDP	2.3	2.8
Market Cap	17.3	(6.1)

Western Europe

	2017	2018
GDP	2.6	1.8
Market Cap	25.8	(16.9

Latin America

	2017	2018
GDP	1.2	0.7
Market Cap	27.1	(9.7)

Eastern Europe

	2017	2018
GDP	3.1	3.3
Market Cap	N/A	N/A

Sub-Saharan Africa

	2017	2018
GDP	2.3	2.3
Market Cap	N/A	N/A

Middle East and North Africa

	2017	2018
GDP	2.0	1.3
Market Cap	13.0	(13.3)

World

	2017	2018
GDP	3.0	2.9
Market Cap	21.8	(14.9)

Asia-Pacific (excl. Japan)

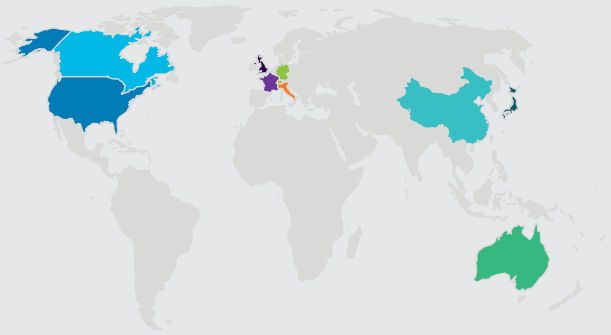
	2017	2018
GDP	5.6	4.5
Market Cap	25.8	(23.8)

Note: 2018 GDP data from Economist Intelligence Unit; market capitalization growth for Western Europe denotes the growth for Europe, Asia-Pacific excl. Japan denotes growth for Asia-Pacific overall, MENA region denotes growth for Middle East and Africa, regional market capitalization growth rate data calculated using World Federation of Exchanges data, which covers most of the major markets in a particular region, pie charts denote share of world GDP.

Source: Capgemini Financial Services Analysis, 2019; Economist Intelligence Unit, May 2019; World Federation of Exchanges, December 2018.

Figure 6. Real GDP, market capitalization, and real estate growth, 2017–2018 (select markets)

(%)



United States

	2017	2018
GDP	2.3	2.9
Market Cap	17.4	(5.2)
Real Estate	4.1	3.7

China

	2017	2018
GDP	6.9	6.6
Market Cap	19.0	(27.4)
Real Estate	0.3	(2.4)

Canada

	2017	2018
GDP	3.0	1.8
Market Cap	15.9	(18.1)
Real Estate	7.1	0.5

Japan

	2017	2018
GDP	1.7	0.8
Market Cap	22.9	(14.9)
Real Estate	13.2	(0.5)

United Kingdom

	2017	2018
GDP	1.8	1.4
Market Cap	9.0	(12.4)
Real Estate	(0.1)	(0.8)

Australia

	2017	2018
GDP	2.3	2.8
Market Cap	14.6	(16.3)
Real Estate	7.4	(3.7)

France

	2017	2018
GDP	2.0	1.6
Market Cap	9.3	(8.9)
Real Estate	2.7	0.8

Switzerland

	2017	2018
GDP	1.1	2.5
Market Cap	19.2	(14.5)
Real Estate	(1.7)	(2.6)

Italy

	2017	2018
GDP	1.6	0.8
Market Cap	23.8	(7.6)
Real Estate	2.7	0.8

Germany

	2017	2018
GDP	2.5	1.5
Market Cap	31.7	(22.4)
Real Estate	4.5	6.8

Note: 2017 and 2018 GDP data from Economist Intelligence Unit; 2018 real estate growth is based on Global Property Guide House Price Index, March 2019.

Source: Capgemini Financial Services Analysis, 2019; Economist Intelligence Unit, March 2019; World Federation of Exchanges, December 2018.

Despite declining wealth, HNWI trust and satisfaction remained strong, but firms must continue to enhance client experience

- **Amid declining markets, global asset allocations shifted significantly to a more conservative position from Q1 2018 to Q1 2019.** Cash and cash equivalents replaced equities to become the most significant asset class in Q1 2019 at nearly 28% of HNWI financial wealth, while equities slipped to the second position at nearly 26% (down more than five percentage points). Unfavorable market conditions throughout 2018 spurred a rise of nearly four percentage points in global alternative investments allocations to 13%.
- **Despite an unpredictable economic environment, HNWIs' trust/confidence and satisfaction in wealth management remained strong.** HNWIs' year-over-year trust and confidence in their primary wealth manager inched up marginally (to 79% from 78%) and to 82% from 79% for wealth management firms, with North America indicating the highest values across regions. Satisfaction with wealth managers and wealth firms each climbed about five and four percentage points to 69% and 68%, respectively.
- **Despite continued strong client satisfaction, key opportunities exist for wealth firms to proactively meet rising HNWI expectations.** Better clarity regarding fee structure may allay client concerns, as only 62% of HNWIs said they were comfortable with their primary wealth manager's fees. HNWIs also said they want personalized offerings that focus on value creation.
- **As the wealth industry evolves and HNWI expectations shift, firms must stay ahead of clients' value expectations.** A focus on fees and service quality will help to attract and retain HNW clients, as unsatisfactory service experience influenced 87% of HNWIs to switch firms.

Declining markets drove a significant shift in overall asset allocations to conservative assets such as cash

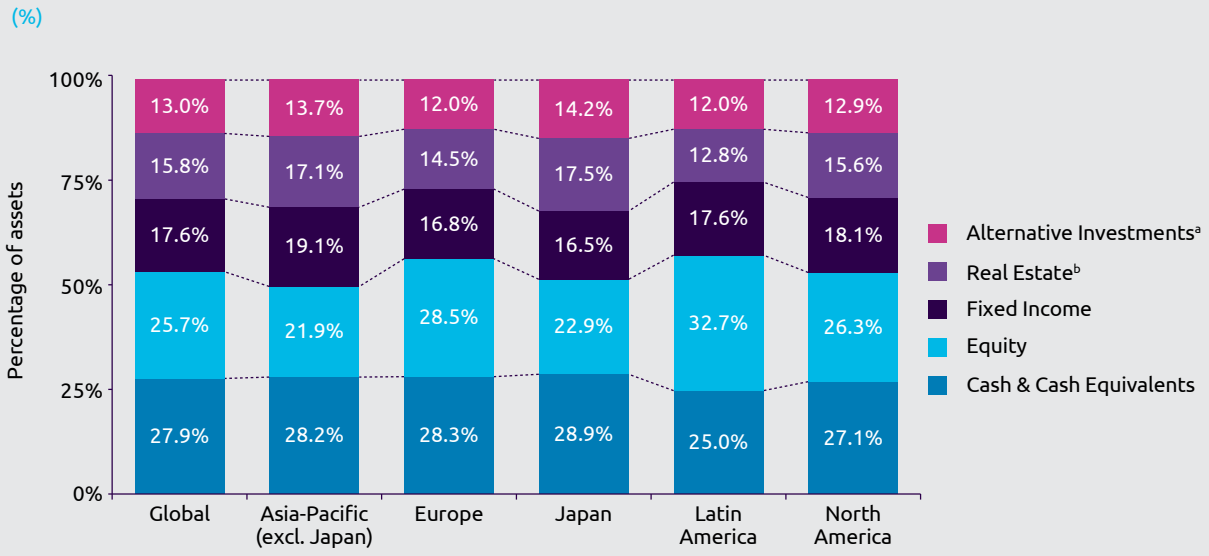
Globally, cash and cash equivalents replaced equities to become the most significant asset class in Q1 2019 (Figure 7) at 28% of HNWI financial wealth (up nearly one percentage point from Q1 2018), while equities slipped to the second position at 26% (down five percentage points from Q1 2018).

Amid market volatility, equities allocation in Asia-Pacific (excl. Japan) declined by five percentage points to reach 22%, the lowest across regions, while alternative investment increased by four percentage points in 2018. Given the significant market volatility, Asia-Pacific HNWIs are gradually moving to alternative investments, particularly private equity and venture capital. With a large volume of startups and fast-growing, early-stage companies in Asia-Pacific, alternative investments have become an attractive investment option.[8]

Traditionally risk-averse HNWIs in Japan rebalanced their investment portfolio in 2018 and moved to more stable assets such as alternative investment and fixed income. Given the country's volatile equity markets, alternative investments increased to 14% in Q1 2019 (up nine percentage points from Q1 2018) – and the highest increase globally. Real estate in Japan rose to 18% (up six percentage points from Q1 2018) and fixed income increased seven percentage points from the previous year to 16%, the highest across regions. With minimal returns from local government bonds, HNW clients are aggressively moving to alternative investments for relatively higher returns.

In Latin America, equity holdings climbed 12 percentage points (to more than 32%), making it the region's largest asset class. Latin American HNWI demographics have undergone a shift with younger HNWIs ramping up their presence. Younger HNWIs' tendency toward portfolio diversification may be fueling the growing popularity of equities in the region.[9]

Figure 7. Breakdown of HNWI financial assets, Q1 2019 (global and regions)



a. Includes structured products, hedge funds, derivatives, foreign currency, commodities, and private equity.

b. Excludes primary residence.

Note: Question asked: "What percentage does each of these asset classes approximately represent in your CURRENT financial portfolio?"; Chart numbers may not add up to 100% due to rounding.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Global HNW Insights Survey 2019.

[8] *CNBC*, "Chinese investors are putting their money in a lot of places. That rarely means stocks," Evelyn Cheng, August 15, 2018, https://www.cnbc.com/2018/08/15/chinese-investors-are-picking-other-assets-over-stocks.html.

[9] *Julius Baer Group*, "Industry Report: Latin America," https://www.juliusbaer.com/global/en/investment-excellence/research/industry-report-latin-america, accessed May 2019.

Driven by market volatility and widely prevalent concerns about a further drop in markets due to trade-agreement uncertainty, North America witnessed a 10% decline in equities allocation, the highest across all the regions. Due to a relatively stable economic environment (especially compared to the last few years) across many countries, Europe didn't see any major changes in the allocation trends.

Unfavorable market conditions throughout 2018 spurred a minor uptick (nearly four percentage points) in global alternative investments allocations to 13%. In light of global economic and market uncertainties, HNWIs are shifting to alternative investments – except for HNWIs in Latin America, where Q1 2019 allocations remained similar to the previous year. North America is a mature market for alternative investment products, and as a result, allocations were more robust (13%).

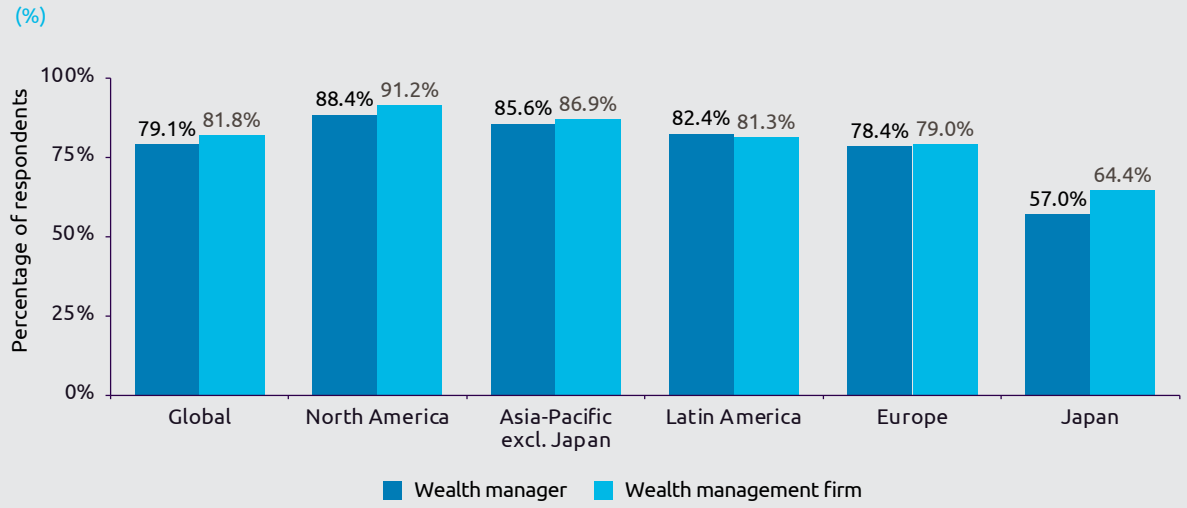
A closer look at alternative investments suggests heightened interest in foreign exchange and currencies, commodities, and hedge funds. Within alternative investments, forex, which has been volatile recently, was the most allocated financial instrument at more than 23% (up from 18% as we last reported in the WWR 2014). Forex and currencies were most prevalent in developed economies with stronger and more stable currencies, including Japan, North America, and Europe, but lagged in developing regions where currencies tend to fluctuate more – such as in Asia-Pacific (excluding Japan) and Latin America.

Despite declining wealth, the positive news is HNWI trust in wealth managers and firms remained strong

Trust and confidence in wealth managers and firms remained very strong, even within a volatile economic environment. From Q1 2018 through Q1 2019, global HNWIs' trust and confidence in their primary wealth manager and wealth management firm remained steady, at 79% and nearly 82% respectively, up from 78% and 79% the previous year (Figure 8). Overall, given the relatively better HNWI wealth performance (compared to Europe and Asia-Pacific), HNWIs in North America indicated the most trust and confidence in their wealth managers (88%) and wealth management firms (91%). Their sentiments may be the result of a series of wealth manager and firm pilot initiatives and efforts over the last few years to enhance HNW client experience and decoupling trust/confidence from investment performance.

HNWI trust and confidence in Japan was low compared to other regions in Q1 2019, but more robust compared with Q1 2018, as it witnessed an increase of more than 14 percentage points for wealth managers and a 21-point increase for wealth firms. Our analysis from previous years indicates that HNWIs in Japan are comparatively more demanding, which may lead to culturally lower trust/satisfaction levels.

Figure 8. Trust and confidence in primary wealth manager and wealth management firm, Q1 2019 (global and regions)



Note: Question asked: "Currently, to what extent do you agree or disagree with the following statements? "I have trust and confidence in the individual who acts as my primary wealth manager," "I have trust and confidence in my primary wealth management firm." Please use the sliding scale where 1 = Strongly disagree, 4 = Neither agree nor disagree, 7 = Strongly agree." The above values represent HNWI trust and confidence levels in their primary wealth manager and wealth management firm. Ratings of 5, 6, and 7 have been denoted as "agree/strongly agree" levels.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Global HNW Insights Survey 2019.

Satisfaction levels and Net Promoter Scores® (NPS) also increased slightly.[10] Similar to the slight increase in HNWI trust and confidence, HNWI satisfaction with wealth managers and wealth management firms also grew to 69%and 68% respectively in Q1 2019 (up from 63% and 65% the previous year). Increased satisfaction trended across geographies, with Japan standing out. Despite their relatively low satisfaction compared to other regions (54% for wealth managers and 56% for firms), Japanese HNWIs' satisfaction increase was robust (12 and seven percentage points) because of the reasons mentioned previously for increased trust and confidence.

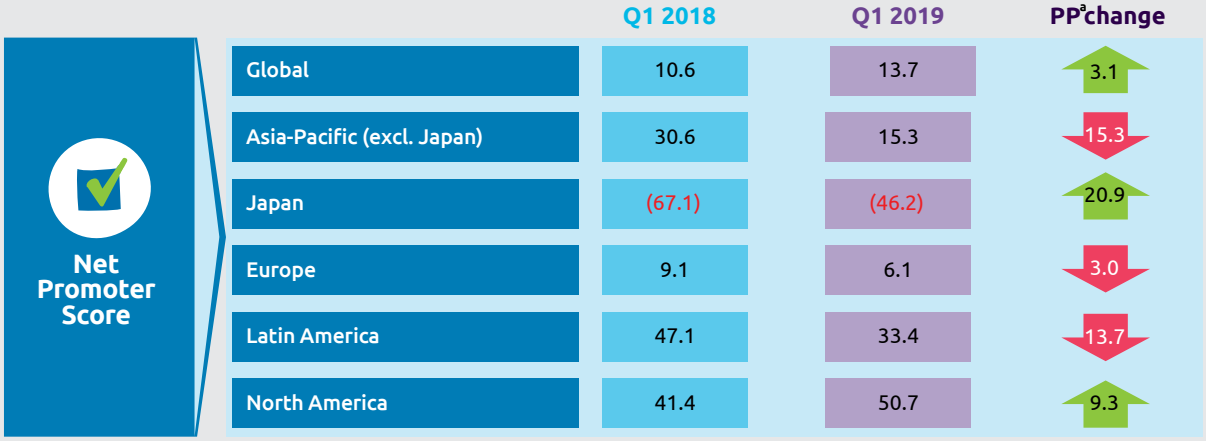
Wealth management firms' focus on agility and acceptance of new technology to improve client experience positively affected HNWI satisfaction levels. With the increased adoption of hybrid advice, firms are equipping wealth managers with the best tools to support it. Assisted by technology, wealth managers are providing better client portfolio recommendations, which is evident by the increased allocation to assets other than equities. Additionally, wealth managers may have effectively set their HNW clients' expectations about market declines to mitigate surprises.

Globally, and aligned with trust and satisfaction, NPS improved slightly with significant variations across geographies. Global scores increased to about 14 in Q1 2019 from nearly 11 in Q1 2018 (Figure 9). However, this slight increase masks key regional shifts. Japan and North America tallied significant NPS improvements that may be a response to substantial efforts firms have made to enhance their digital infrastructure.

However, the high expectations of emerging-region HNWIs led to a decline in NPS in other geographies. Similarly, volatile economic and market performance in Asia-Pacific (excl. Japan) and Latin America, combined with perhaps limited progress on digital and hybrid advice offerings, sparked NPS decline in those regions. Despite the decline, the NPS for Asia-Pacific (excl. Japan) remained strong, indicating a probable temporary setback due to market volatility. When considering digital and hybrid advice solutions, firms need to understand and prioritize offerings and regions based on region-specific HNWI expectations.

Improved HNWI trust and confidence, as well as a slight lift in satisfaction, spurred an overall positive outlook for engagement with wealth managers. Almost half of the HNWIs across the globe plan to increase engagement with their primary wealth manager.

Figure 9. Likeliness to recommend your primary wealth manager, Q1 2018 and Q1 2019 (global and regions)



a. PP denotes the percentage point change in Q1 2018–Q1 2019.

Note: Question asked: "How likely is it that you would recommend the firm to a friend, family member, or colleague? Please indicate your response on a scale of 0–10. 0 = Very unlikely, 10 = Very likely"; For calculating the Net Promoter Score, we grouped the respondents as Promoters (score 9–10), Passives (score 7–8), and Detractors (score 0–6), and subtracted the percentage of Detractors from the percentage of Promoters.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Global HNW Insights Survey 2019.

[10] Net Promoter Score® (NPS) refers to the percentage of promoter minus the percentage of detractors. It can help firms focus on the twin goals of creating more promoters while reducing the number of detractors. https://www.netpromoter.com/know.

Interestingly, Asia-Pacific (excl. Japan) HNWIs whose propensity to recommend their wealth manager to friends and family decreased significantly in 2018, were the most bullish on increasing engagement with their wealth manager (77%). This may be because they believed they were not interacting enough with their wealth manager and sought more one-on-one opportunities. There is a massive opportunity for wealth managers (especially in emerging regions) and wealth management firms to more successfully engage with HNW clients through better and more customized experiences, which, ultimately, may lead to better NPS (and business).

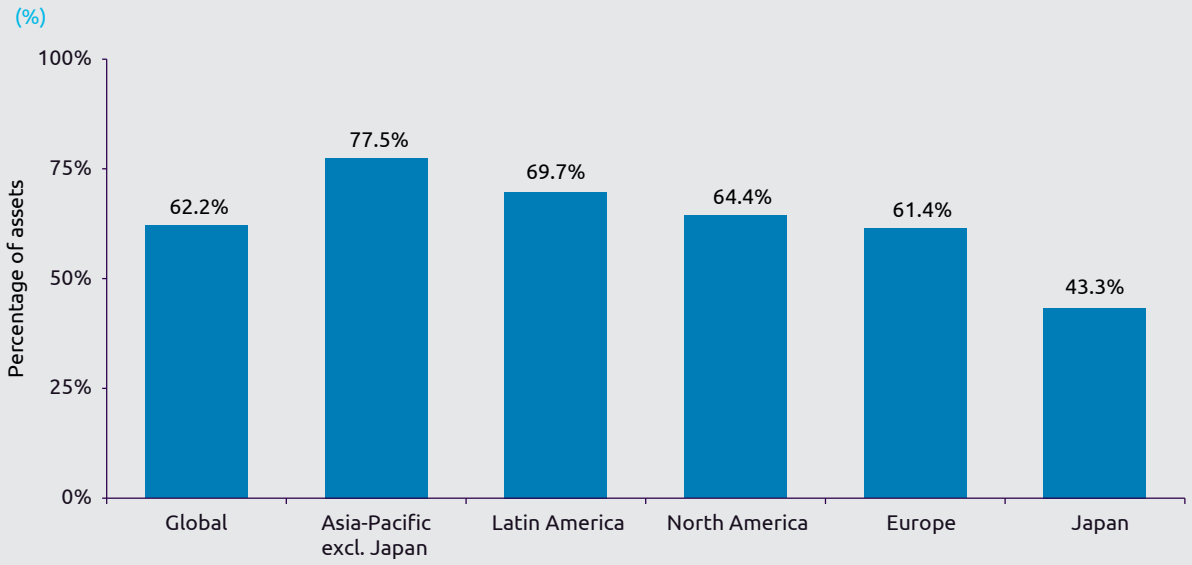
HNWIs want wealth management firms to step up their game

As HNWIs continue to demand better connections and more personalized service offerings amid other concerns, wealth management firms need to address these gaps to improve the NPS, trust/confidence, and satisfaction of clients. Fees continue to be one of the key areas where firms can focus on innovative ways to enhance the HNW client experience. Globally, only 62% of HNWIs surveyed said they were comfortable with fees charged by their primary wealth management firm (Figure 10). Despite fees being less of an issue for Asia-Pacific (excl. Japan) HNWIs, of whom 77% were comfortable with their fee structure, there was a significant decline in their NPS, which implies that key issues remain when it comes to client engagement and experience. In contrast, Japan, which witnessed an increase in NPS, cited low comfort (43%) with wealth management firm fees, which implies the need for fee transparency.

As HNWIs desire more transparency in transactions, fee-based models may gain more acceptance. With a new generation of tech-savvy HNWIs, technology will help wealth managers become more transparent, improve user interfaces, and beef up client engagement.

With a focus on value creation, in addition to fee structure enhancement, HNWIs continue to demand personalized offerings from their wealth management firms. In addition to fees, HNWIs are looking for personalized support on specific areas of the wealth management value chain. Specifically, they are looking for investment management and financial planning as valuable services (both being rated as important by 86% of HNWIs surveyed). These areas are even higher in importance for HNWIs in North America where wealth management firms have already made strides in enhancing client experience but can now also focus on equipping their wealth managers with robust tools, especially on the financial-planning front. On the other

Figure 10. Comfort level with the fees charged by primary wealth management firm, Q1 2019 (global and regions)



Note: Question asked: "Given the performance of your assets and the service you received from your primary wealth management firm, how comfortable were you with the fees you were charged in 2018?; Please use the sliding scale where 1 = Not at all comfortable, 4 = Neither comfortable nor uncomfortable, 7 = Extremely comfortable." The above values represent HNWI comfort levels with the fees charged by their primary wealth management firm. Ratings of 5, 6, and 7 have been denoted as "comfortable/extremely comfortable" levels.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Global HNW Insights Survey 2019.

hand, services related to philanthropy and investments of passion are not of utmost importance among HNWIs yet and can be a lower priority for firms.

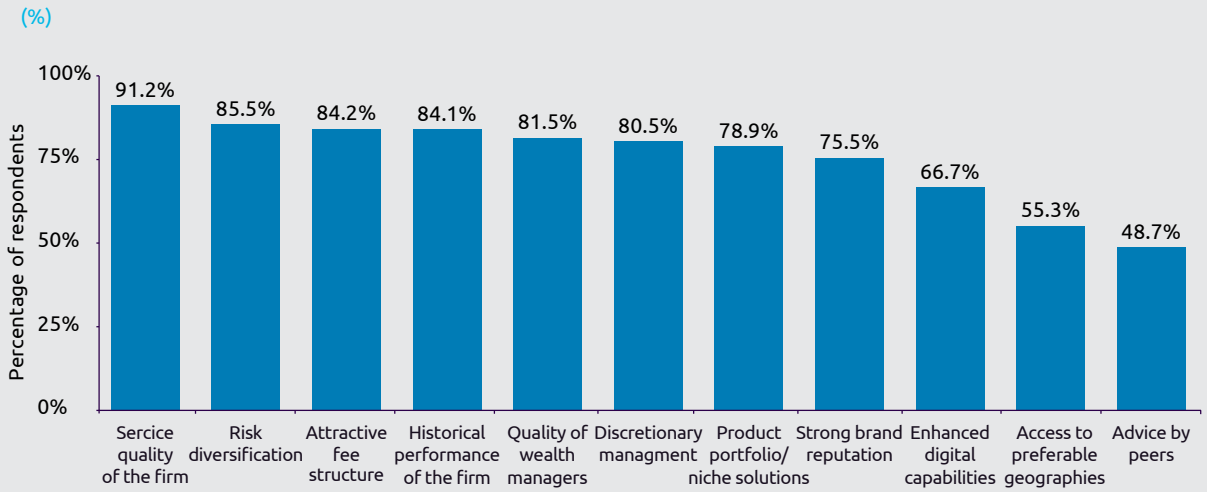
Wealth firms must match (and even exceed) clients' value expectations

As the wealth industry evolves and HNWI expectations shift, the way wealth management firms deliver value to clients will be critical. The firms will need to focus on the key areas of fees and the right tools for clients and wealth managers to retain their existing clients. When HNWIs believe a wealth management firm does not meet their expectations, they tend to leave that firm and consolidate their assets with other wealth management firms. Globally, an unsatisfactory service experience with an existing wealth management firm was the most significant factor (87%) to influence HNWIs to move to other firms. Better pricing from another firm and unsatisfactory experiences with a wealth manager influenced HNWIs' to consider consolidating their assets from one firm to another.

At the same time, focus on fees and service quality are important for firms to attract new HNW clients also. Globally, 91% of HNWIs consider service quality to be an essential wealth-management selection criterion, while nearly 84% found fees structure to be critical when selecting a new firm (Figure 11).

Also, given the trusted partner status of wealth managers with HNWIs, it will be essential for firms to empower their wealth managers to more effectively deliver value to HNW clients. (See page 22.)

Figure 11. Primary criteria for wealth management firm selection, Q1 2019 (global)



Note: Question asked: "What are your primary criteria for selecting a wealth management firm?; Please drag and drop the services into the relevant box. 1. Most important (one only), 2. Also important, 3. Not important,"; The above values represent HNWI importance levels of criteria for selecting a wealth management firm, sum of values of Most important and Also important have been shown as the importance levels in the chart above.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Global HNW Insights Survey 2019.

Next-gen capabilities can empower both wealth managers and clients to navigate uncertain times

- **As wealth management firms attempt to grow their business, they face disruptive challenges.** The wealth managers we interviewed cited increased innovation through analytics, the entry of BigTechs, and pressure relating to fee structures as forces that will drive the industry in the coming years.
- **The strong correlation between better personal connection with HNW clients and the financial performance of wealth management firms underscores the importance of wealth manager/client relationships, even in the digital era.** Capgemini analysis showed that firms that ranked in the top 25% for strong personal connection over two years (Connection Leaders) outperformed firms in the bottom 25% (Connection Laggards) in a comparative analysis of several financial measures.
- **Firms must enable wealth managers through digital tools and financial planning resources to enhance client relationships.** Wealth managers identified significant gaps in capabilities such as wealth planning and tool modernization which they believed were needed to deliver value to clients but said their firms lacked focus.
- **Adoption of emerging technologies such as artificial intelligence (AI) will be critical to bridge these gaps and enhance wealth manager efficiency and bolster clients' service experience.** Emerging technologies show varying adoption and benefit magnitudes across wealth management functions; therefore, the implementation of insights-based solutions will need to be a critical part of the strategic response.
- **To navigate the current paradigm and prepare for the transformative and impending Open X financial services environment, firms must enhance and accelerate their ability to strategically catalyze business growth.** The ever-changing environment will require a shift to sustainable and agile business models with robust change management and privacy processes.

A fast-changing landscape and new challenges require wealth management reinvention

The wealth management industry is evolving quickly. A new generation of clients and shifts in the wealth manager/client dynamic is forcing firms to reinvent the client experience. Industry executives and wealth managers agree that this transformation will continue to accelerate. Our Wealth Manager Survey for *WWR 2019* identified these leading factors (in order) that will impact the industry in the coming years: increased data and analytics innovation, the entry of BigTechs, and fee structures/pressures.

Wealth management executives interviewed as part of the *WWR 2019* also pointed to these key trends. Emerging technologies have been disrupting all industries across the globe and are now also making a significant impact on the wealth management industry.

> *The biggest impact is already underway with technologies like AI that will be used to drive portfolio performance and drive costs down. The value proposition in wealth management will remain the same, while technology becomes more and more of an enabler."*
>
> **—R. Mark Shepherd**
> CEO, Shepherd Financial Partners

As explored in the *WWR 2018*, the entry of BigTechs is significantly affecting, and disrupting the wealth management industry.

> *The big trend is the entry of BigTechs, which in a matter of time will compete with banks."*
>
> **—Simon Lints**
> CEO, Schroders Wealth Management, Singapore

Regulatory compliance in this new landscape becomes more critical, especially as regulators themselves catch up with emerging technologies. Nevertheless, in this era of hyper-connectivity, most banks recognize the need for flexibility and an omnichannel presence. The industry executives we interviewed agreed.

> *The biggest impact on the wealth management industry will be around the growth of technology, but also regulators trying to keep up with that technology and putting constraints and restrictions around it.*
>
> *The future is a channel-agnostic world, powered by data and technology integration. In five to six years' time, wealth managers must be able to deliver consistent compliant digital processes globally. This has been the promise for 20 years and now it is becoming a reality.*
>
> **—Steve D'Souza**
> Head of Private Banking and Wealth Management, Fenergo

However, the challenge is to ensure that all channels perform efficiently and conveniently to satisfy HNW clients. Our *WWR 2019* Global HNW Insights Survey found that fewer than 50% of HNW clients are satisfied with mobile and online platforms. Also, less than 50% said they were confident in the digital maturity of their primary bank.

Basic functionalities will make way for more complex features that HNW clients, especially younger ones, will expect as table stakes. With around 40% of younger HNWIs reporting lower satisfaction with their primary firm's online and mobile platforms, these clients emphasized their need for extra attention and personalization. Therefore, to successfully capitalize on this changing new era, firms will need to transform their service delivery models with a core focus on enabling clients while empowering wealth managers.

A recurrent theme throughout our discussions with industry executives was the acknowledgment that keeping the client relationship alive, responding to clients' evolving needs, and using data and technology to excel in the current disruptive era are no longer options, but are now necessities.

> *The factors which make or break the disruption equation are data; to excel in disruption era, firms need to invest time to examine what, where, and how data is collected."*
>
> **—Jaime Lopez**
> Director of Business Process Excellence, City National Bank & City National Rochdale

> *Digital is the new normal in this era. We must be on par with a differentiation focus on innovation and touch."*
>
> **—Dick van Rhee**
> MD of Private Banking, Amersfoort Eeml and Coöperatieve Rabobank U.A.

New-era clients seek connection

Against the backdrop of a changing wealth environment, firms will be forced to rebuild their business models and redefine the relationships that wealth managers and clients share.

The need for a value proposition that differentiates on personal connection remains a critical factor.[11] *Our analysis revealed that firms rated in the top 25% for personal connection for two years were connection leaders that delivered outstanding experience with significant positive financial results* (Figure 12).

Our HNWI survey measured the personal connection between HNWIs with their primary wealth managers over the past two years and determined that those firms that ranked in the top 25% for strong personal connection (Connection Leaders) outperformed the bottom 25% (Connection Laggards) in a comparative analysis on several measures.

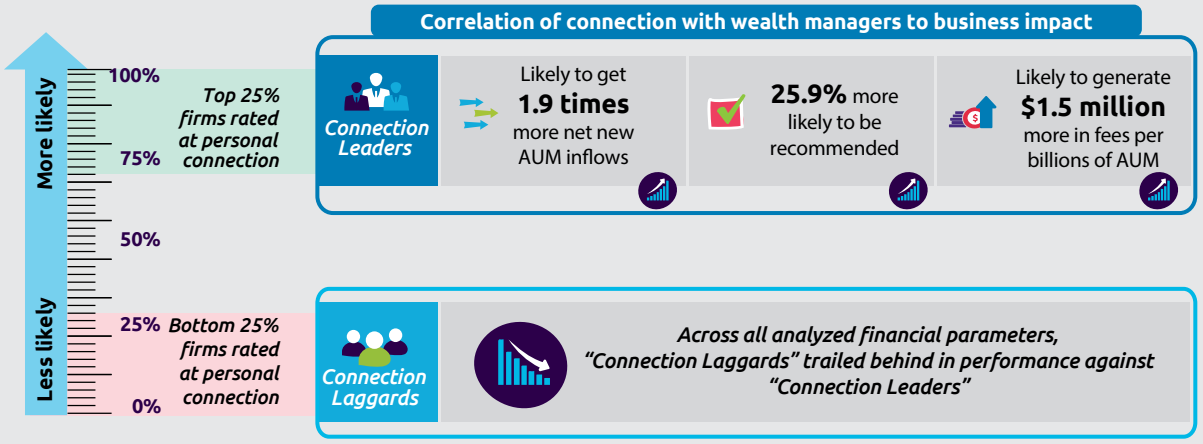
The challenge to create a differentiated personal connection with clients is real as only 44% interviewed HNWIs in 2019 reported that they connect "very well" with their wealth managers.

Surveyed HNWIs cited a lack of emotional intelligence (28%), a dearth of value-added services (29%), and insufficient face time (30%) as reasons behind their feelings of very low personal connection.

Hard selling was a key point of contention.

- A Singapore-based respondent from within the 40- to 49-year age band said, "My wealth manager was more interested in meeting their own KPIs." A similarly aged HNWI in Switzerland said, "My wealth manager works more for the bank than for me."

Figure 12. Connection leaders outperform laggards



Note: Methodology: Wealth management firm designation in the top 25% or bottom 25% was determined on the basis of a 2-year average of HNWI survey results that correlated HNWI connection level to estimated impact on wealth management firm business. The final results are based on calculations from the analysis of particulars from the firm's respective 2018 annual reports across efficiency and profitability indicators and Capgemini survey results.

Note: Questions asked: "We would like to understand how well you connect at a personal level with your primary wealth manager. Please let us know to what extent you agree with the following statement: I connect very well with my primary wealth manager. 1 = Strongly disagree; 4 = Neither agree nor disagree; 7 = Strongly agree." Ratings of 6 and 7 denoted as "strong" personal connection levels were used here. "Of all your experiences with your primary wealth management firm, how likely is it that you would recommend the firm to a friend, family member, or colleague?" 0 = Very unlikely, 10 = Very likely. Ratings of 8, 9, 10 were denoted here.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Global HNW Insights Survey, 2019.

[11] "Personal Connect" here may refer to HNWIs' personal experience that includes their trustworthiness and personal likeability beyond the services offered by your primary wealth manager.

Many HNWIs cited a lack of/or bad communication as the reason for low personal connection with wealth managers. HNWIs across all age bands and locations appeared to agree.

- "My wealth manager does not know me well personally." "There is a lack of communication with my wealth manager." "My wealth manager is not friendly and welcoming." "There are attitude issues with my wealth manager."

Other HNWIs were skeptical about offerings and methods.

- Two under-age-40 respondents from China said, "My wealth manager provides insufficient profits" and "My wealth manager offers products with not enough satisfactory results." A respondent from Spain under the age of 40 said, "My wealth manager uses too much technical lexicon that is difficult to understand."

Some HNWIs noted frequent changes in wealth managers as a reason for their low personal connection.

- "Frequent replacement of personnel." "Wealth manager keeps changing."

Survey insights identified disconnects between firms' understanding of client needs and significant opportunities for firms and wealth managers to strengthen personal and emotional connections with clients. Therefore, firms should focus on methods and mechanisms to understand and address client needs. Aside from new client checkpoints and robust continuous feedback mechanisms, it is equally important to train and empower wealth managers so they can build personal and emotional connections with clients.

Building personal connection: Many firms have started focusing on creating next-gen solutions (which leverage emerging tech such as AI or analytics solutions (see page 26) across life stages of clients to improve the client experience. For capabilities spread across stages, more than 85% of HNWIs expressed high demand for personal connection across these areas:

- Ability to rebalance and optimize my portfolios (87%)
- High standard of execution processes (such as selecting investments, executing trades and investments) (87%)
- Understand my financial situation, needs and goals (86%)

The key is to build a differentiated and personalized approach in areas where clients expect a personal connection rather than a self-service experience. The ability to demonstrate differentiation beyond investment performance is critical. Firms must provide strong connections – either through technology or through face-to-face interactions – that engage the client throughout their journey.

As a surveyed executive from a European bank said, "The client needs more than just access to his portfolio through an app because an intimate client relationship will make him stay when there is a glitch in investment returns."

Building an emotional connection: To further enhance client experience, firms must consider connecting emotionally with clients.[12] *Twenty-eight percent of surveyed HNWIs cited their advisor's lack of emotional intelligence as the reason they did not connect well.* HNWIs also said that to build authentic emotional connection, their primary firm needed: strong investment expertise (35%), trust and security (28%), and personalized attention (nearly 15%).

Not surprisingly, banks are prioritizing the retention and recruitment of emotionally efficient and productive wealth managers. Firm executives said they look for the following qualities when recruiting wealth managers:

- Friendly and amiable personality
- Good listener
- Market expertise
- Bandmaster capability, ability to bring experts to the table as necessary, team player
- Risk management expertise
- Well informed knowledge of markets and industry
- Strong emotional intelligence
- Trustworthy – ability to essentially become a member of the client's family

Opportunities exist for firms to humanize their offerings and strengthen the value of the wealth manager-client relationship while leveraging technological advances. One approach involves providing necessary training to wealth managers and reinforcing it to ensure emotional and personal value during client meetings and discussions. Another method (see page 26) focuses on empowering wealth managers with tools based on AI and analytics. These tools will identify key stages or motivators for sustaining successful emotional and personal connections while enabling flexible client-tailored solutions.

[12] Capgemini defines Emotional Connection as loyalty to the wealth management firm that goes beyond satisfaction and contentment with services.

Empowering wealth manager competencies is key to strengthening client connect

Given the need to bolster connections for better results, excellent client service and client connections will be critical in all strategic planning and value propositions. Empowering wealth managers, who are the face of the firm, will be essential.

Firms recognize the need to empower wealth managers and consider their expectations. The objective is to help them spend more time building and enhancing their client relationships. However, most wealth managers are already busy with multiple activities.

When asked about time allocations, it was clear that firms are making progress and wealth managers believe they are spending their time efficiently. *However, 20% of managers' time continues to be earmarked for administrative activities, so the opportunity exists to further free up time for more value-added endeavors.*

Meanwhile, many firms recognize their wealth managers' time-crunch dilemma and are making progress in remedying the situation. However, the biggest challenge firms face is enabling wealth managers to deliver efficiently and at scale. *The first step to empowering wealth managers and re-enabling their roles is to understand their expectations.*

Many wealth managers say they have outlined what they expect from their firms. Based on our interview with wealth managers, we identified four support levers through which firms can empower their wealth managers:

1. **Process support:** Simplification of processes/ policies
2. **Engagement support:** Enhancing the overall wealth manager experience (improvement in onboarding and retention programs with competitive rewards and recognition)
3. **Digital proposition support:** Includes technology and digital tools for client service
4. **Market reach/expertise support:** Offer access and reach to industry learning and other expertise

Wealth managers' expectations primarily focused on process support (80%) and engagement support (78%). However, wealth managers indicated substantial gaps in what they expect and what is being delivered by their firms in terms of various capabilities and identified levers.

Process support witnessed the most prominent gap (more than 15 percentage points). Many wealth managers said they are forced to work using siloed legacy systems that don't allow a seamless and simplified process experience. The lack of an integrated firmwide portal/solution may exacerbate this significant gap. Other expectation gaps covered the provision of wealth planning (17 percentage points) and modernized tools (11 percentage points), which wealth managers said were essential to delivering client value (Figure 13).

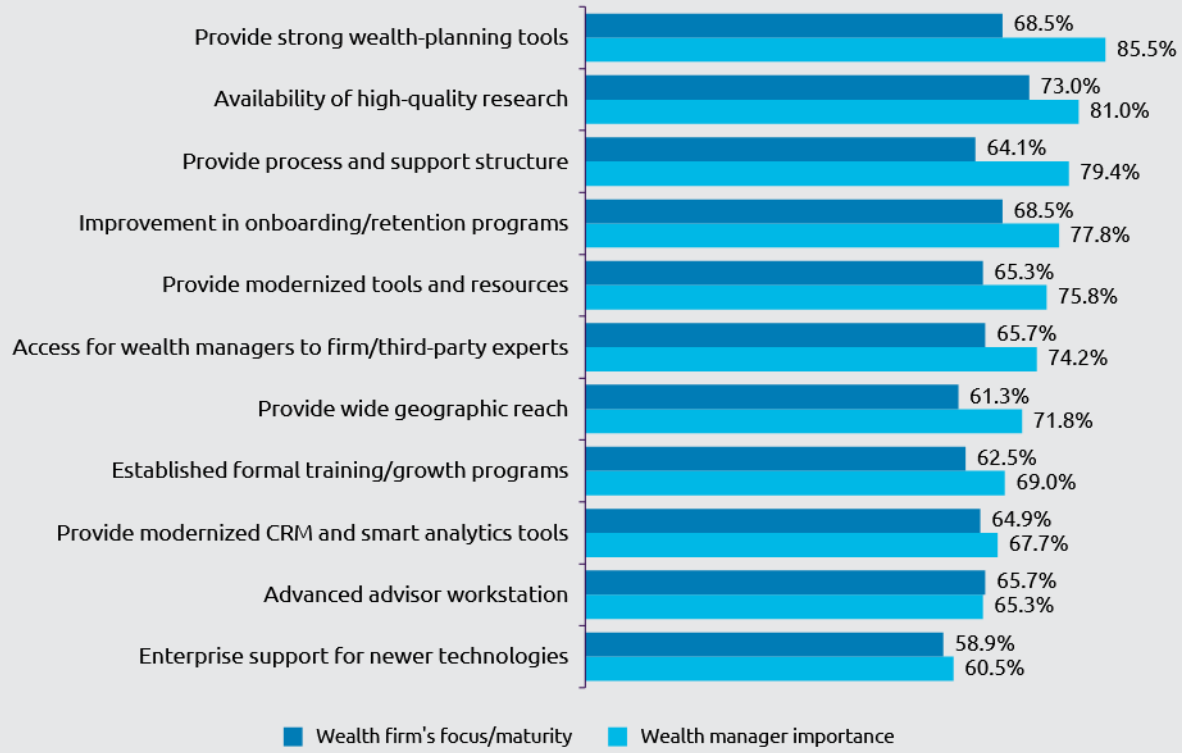
While some firms have not started offering these tools, this gap could also be a result of ineffective tool implementation, as the overall success rate on many of the digital initiatives in the industry has been low. For example, a UK bank that invested millions of dollars in modernizing its IT systems abandoned the program after more than five years, leaving it with more than a billion-dollar capital shortfall.

On a positive note, wealth managers' access to third-party support, and their firms' provision of CRM and analytics tools have seen a huge uptick (based on similar analysis done in the WWR 2014). Many firms now provide digitally-enabled tools such as automated investment platforms, financial planning software, and CRM tools to empower managers to more clearly understand each client's situation and make better recommendations.

Many firms invest significantly in tools, and nearly 61% of wealth managers say they are satisfied with their overall experience with their firm. As firms attempt to meet the expectations of wealth managers, expectations will evolve, and more work will be needed. Commitment to understanding wealth managers' expectations is necessary, along with leveraging technological opportunities efficiently.

Today a large retirement pool of wealth managers awaits, and an industry talent gap looms. With RIA opportunities and the trend of breakaway of wealth managers growing, incumbent firms feel the push to retain and attract top talent (see Page 24).

Figure 13. Enhanced advisor productivity – Need of the hour, Q1 2019 (global)



Note: Question asked: "How important are the following wealth manager-focused capabilities from your perspective and to what extent do you believe that your firm is focusing on these to enable you and other wealth managers to help achieve business goals in a better manner? Rate on a scale of 1–7; The sums of 5, 6, 7 are represented in the chart. Responses ae based on wealth managers' perspective. Chart values are ordered by wealth managers"importance to various capabilities.

Source: Capgemini Financial Services Analysis, 2019; Capgemini Wealth Manager Survey, 2019.



Wealth firms cannot afford a disconnect with their wealth managers' expectations

Potential risk: Wealth managers breaking away from traditional incumbents

A gap between wealth managers' expectations and their firms' understanding of those expectations can reduce performance and satisfaction. In some cases, frustrated wealth managers may leave their firm.

In an environment where the impact of attrition may soon be felt, *44% of wealth managers said they anticipate their firms will beef up the number of wealth managers on staff.* While expansion optimism appears positive, firms may struggle to keep up with this demand, considering the industry's looming talent gap.

To add fuel to the talent-shortage fire, some wealth managers are leaving their firm to become Registered Independent Advisor (RIA), especially in North American markets. In the United States, as reported in 2017, the number of new RIAs increased by 20% and by 60% over the previous five years.[13]

Firms must strategically respond with a robust talent management strategy

While recruiting talent can be a struggle for established wealth firms, retaining talent is yet another hurdle. A majority of incumbent firms recognize this trend and say they are working to continually assess their firm's internal structure and incentives while understanding their wealth managers' expectations. *Slightly fewer than 60% of surveyed wealth firms acknowledged the risk of wealth managers breaking away from the firm and its potential to affect client relationships and revenue streams.*

Meanwhile, a quarter of surveyed wealth firms said they were unaware of the trend in wealth managers leaving their incumbent practices. An executive at a global private bank told us, "Our firm has an incentive system in place that promotes internal growth, so we have almost no cases of wealth managers leaving us."

Generally speaking, wealth firms interviewed as part of the *WWR 2019* said they understood the need to continually assess internal practices and to focus on preparing and retaining talent to maintain the organization's brand image.

Of those surveyed firms that voiced concern about attrition and client retention, half said they are empowering wealth managers to deliver better client experience, with an eye on bolstering client loyalty to the firm. Firms are also leveraging new technology such as CRM solutions to both enable wealth managers and help build stronger client relationships.

> *The CRM helps strengthening and institutionalizing the relationship between the client and our institution, in that sense it is a protection against clients attrition.*
>
> **—Olivier Livenais**
> Head of Development, Indosuez Wealth Management

Nearly 38% of wealth firms interviewed said that multiple client contacts reduce the risk of a client leaving with an existing advisor. *Many firms are improving their client service approaches with more than 70% of surveyed wealth managers saying they work within a team-based environment – up from 50% in a similar survey in 2015.*

As market demand for wealth managers heats up along with the competition to hire top talent, more and more wealth firms will prioritize both staffing and fully understanding the expectations of their wealth managers.

Strong leadership buy-in, enhanced transparency, practical and organic learning and development, simplified processes and policies with the right technology-enabling tools, combined with a rewarding work culture are essential anchors in creating and implementing a successful talent retention strategy.

In short, firms must treat wealth managers similarly to how they deal with their HNW clients and create a unique experience.

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[13] *Investment News,* "Schwab report shows strong growth of SEC-regulated advisers," Mark Schoeff Jr, October 3, 2018, https://www.investmentnews.com/article/20181003/FREE/181009976/schwab-report-shows-strong-growth-of-sec-regulated-advisers.

Mastering results powered by emerging technologies

In the future, successful business models will be those that differentiate beyond basic services by incorporating advanced digital elements in them and act as a facilitator for both wealth managers and clients. The differentiated end-to-end client experience can be delivered if the firms can track clients' demands across each point of their wealth management journey.

The *WWR 2019* Global HNW Insights Survey results showcased that almost 85% HNWIs demanded more digital interaction across accessing portfolio information (nearly 88%) followed by executing transactions (87%) and obtaining advice/service from wealth managers (84%).

There is no doubt that technology will become prerequisite to enhance service experience for clients especially when serving across these demanded capabilities.

Many wealth management firms already realize this and for their part are focusing on empowering their wealth managers in this digital age, with emerging technologies playing a pivotal role. Some key emerging technologies have started to create a significant impact across the value chain with varying levels of adoption and maturity levels across various functions and tools (Figure 14).

As examples, robotic process automation (RPA) and intelligent automation have proven their worth in the industry, which is evident from their significant adoption by a majority of firms. Some key examples include BNY Mellon's extensive use of RPA to automate significant onboarding and administrative processes by leveraging an army of 250 bots.[14] Deutsche Bank also uses RPA in its wealth management arm to automate onboarding and create suitable portfolios for clients.[15]

Figure 14. Key emerging technologies provision for wealth managers across value chain

Profile	Develop	Execute	Manage	Report
Wealth managers could save a lot of time by automating processes and compliance documents using RPA	Data analytics-driven 360-degree client view would enable wealth managers to have a better visualization of client data	RPA could transform onboarding formalities through automation, freeing wealth managers to focus on more pressing tasks	RPA could be leveraged to automate processes like auditing to free up wealth managers' time	Omnichannel reporting experience to access information anytime, anywhere would save wealth mangers time
Firms are developing robo- advisors/chatbots to handle initial queries, and save wealth managers time	AI-driven tools could be leveraged by wealth managers for more efficient financial planning	Machine learning-based tools are expediting execution process of global transactions to save wealth managers' time	Cloud based centralized client data storage would make data retrieval and analytics easier	Data analytics-based performance visualization tools could save wealth managers time by providing a quicker solution
Wealth managers could use AI capabilities to better segment their prospects and acquire new HNWIs	Wealth managers could use AI tools to formulate better investment strategies aligned to client needs	Predictive analysis is enabling wealth managers to take data-driven investment decisions to potentially increase returns	Data analytics-based tools could enable wealth managers to expedite processes such as portfolio rebalancing and optimization	Augmented Reality and Virtual Reality could be leveraged by wealth managers for better visualization of portfolio performance
Wealth managers can leverage IOT to develop more accurate profiles by using client behavior and lifestyle data		IOT could be leveraged by wealth managers to track physical indicators of company performance to improve investment decisions	Instant alerts and notifications on wearable technology like such as smart watches, Google Glass, etc. would make wealth managers' work easier	

High adoption/maturity Medium adoption/maturity Low adoption/maturity

Source: Capgemini Financial Services Analysis, 2019.

[14] BNY Mellon press release, "BNY Mellon's Automation Efforts Draw Industry Accolades," October 5, 2017, https://www.bnymellon.com/us/en/newsroom/news/press-releases/bny-mellons-automation-efforts-draw-industry-accolades.jsp.

Data analytics, artificial intelligence/machine learning, and cloud are poised to be must have in the future. Most major firms are investing in these, but wide adoption is thwarted by reservations related to feasibility and scalability. For example, HSBC leverages cloud technology to simplify its regulatory compliance processes in Canada and France.[16] JP Morgan Chase is building a platform, Algo Central, that will leverage data analytics to provide clients with better investment experience.[17]

In spite of having limited applications in the wealth management space, some firms are also investing in IoT, virtual reality/augmented reality, and blockchain. Most of these projects are in the proof-of-concept phase and have a long way to go before industry wide use. For example, Barclays Bank leveraged IoT to connect their payment app BPay with various kiosks for quicker execution of transactions.[18] Fidelity is experimenting with virtual reality, as it developed the industry's first VR financial agent, Cora, to enhance client experience through voice commanded interactive environment.[19]

Current and future potential scenarios portend that emerging technologies will be tools used by "Future Wealth Manager" to serve clients, maintain client relationships, and improve productivity.

While wealth managers have used technology to streamline complex analyses and to simplify client service, the next wave of computational tools is here. Artificial intelligence, from predictive analysis to recommendation engines, will soon provide better decisions, more attentive client service, and a broader client base for wealth managers willing to trust them. The consensus among wealth management executives and wealth managers is that AI is a big game-changer, with increased adoption in the sector.

According to the *WWR 2018*, artificial intelligence and intelligent automation were highlighted as the top emerging technologies expected to see the most investment by firms over the next 24 months through June 2020. While it is too early to tell that AI and its applications may be the winning value creator in the future for wealth management, there are considerable examples within and outside the industry that showcase significant related effects and improvement in business.

> *Investment priority [for firms] should be AI where the biggest disruption is underway. It is going to drive cost down. It will also help the performance to become more stabilized and consistent."*
>
> **—Pierre Dulon**
> CEO, Azqore

Our analysis identifies the high-impact emergence of AI and analytics across four pillars of transformation and benefit for firms (Figure 15). These span across managing and serving clients, enabling wealth managers, bringing operational efficiencies, and complying with evolving regulations.

Across all pillars, it was evident that firms identified significant benefit across managing and serving clients.

However, with an eye on the dual benefit of serving clients better and supporting wealth managers, some firms have begun to invest in AI solutions that offer wealth managers' supplemental insights that may foster better client experience and conversion. For instance, one Asia-Pacific wealth management firm uses AI to match the personality, lifestyle, and behavior of their prospect/current client with a compatible wealth manager to support a well-matched relationship that may bolster conversion rates. The solution also helps wealth managers determine a course of action before the client becomes aware of a problem. Such solutions may offer a competitive edge to firms where wealth manager and HNWI experiences are personalized via personality/compatibility scores and AI model-based interactions.

These solutions are advantageous today as clients expect quick and hyper-personalized services from their wealth managers, including the flexibility of automated versus human interactions. Many firms see the benefit of leveraging the complementary capabilities of data and AI to enable clients and empower wealth managers.

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[15] Deutsche Bank Annual Report 2017, 2018, https://www.db.com/ir/en/annual-reports.htm, accessed June 2019.

[16] HSBC Annual Report 2018, https://www.hsbc.com/investors/results-and-announcements/annual-report, accessed June 2019.

[17] JP Morgan Chase Annual Report 2018, https://www.jpmorganchase.com/corporate/investor-relations/document/annualreport-2018.pdf, accessed June 2019.

[18] Internet of Business, "Barclays pours investment into new IoT beer pump," Freddie Roberts, December 20, 2016, https://internetofbusiness.com/barclays-iot-beer-pump/.

[19] Wealth Management, "Fidelity Introduces Cora, a VR Financial Agent," Samuel Steinberger, May 22, 2018, https://www.wealthmanagement.com/technology/fidelity-introduces-cora-vr-financial-agent.

Figure 15. AI pillars of transformation, Q1 2019 (global)

Pillar of transformation	Benefit (Magnitude)	Opportunity areas	Best practices in industry
Managing and serving clients		■ Improved client onboarding ■ Optimize relationships ■ Provide high-value and enhanced CX ■ Client retention planning	■ Throughout the industry, numerous examples that use AI for serving clients exist: ■ Self-service tools ■ Use of chatbots to establish real-time dialogue
Enabling wealth managers		■ Augmented CRM capabilities ■ Sales/marketing purposes ■ Prospecting client needs (know before they know) ■ Segmentation of potential customer profiles	■ Many firms use NBA solutions for predicting the new products that a client will want/need in the coming months. Case example: BNP Bank's next-best-action (NBA) solutions ■ Some firms also have one application for their wealth managers which applies both NBA and CRM capabilities
Bringing operational efficiencies		■ Process optimization and efficiency ■ Lower cost-to-serve ■ Helps in smart processing ■ Advanced automation	■ Many firms use automated investment solutions that allows automation of middle-office tasks along with automatic rebalancing of solutions. ■ As a case example: In 2017, UBS was the first wealth management firm in the US to offer BlackRock's Aladdin technology to its wealth managers as part of an ongoing effort to improve their efficiency. This is now also offered by many other wealth firms
Complying with evolving regulations		■ Predicting risk and compliance issues (solve issues before their occurrence) ■ Adherence to regulations ■ Improved KYC screening	■ Many firms use AI applications to solve any regulatory issues before they arise: ■ As case example, many surveyed firms now use AI solutions in detection of fraud, cybersecurity, and detecting false positives ■ Other surveyed banks also noted their use of AI in automated signature verification, and other pre-trade compliance applications
ADOPTION MAGNITUDE		**9.5%** No adoption	**28.6%** One pillar	**57.1%** >=Two pillars	**4.8%** All pillars
BENEFIT LEGEND		**High**	**Medium**	**Low**	

Source: Capgemini Financial Services Analysis, 2019; TextLine Searches; Executive Interviews, 2019.

Note: KYC: Know-Your-Customer; CX- Customer Experience; NBA- Next Best Action; CRM- Customer Relationship Management

Hyper-personalization offers competitive advantages

Personalization – A key differentiation for wealth firms in the new era

As clients demand more value and competitive intensity grows, personalization has emerged as a key area for wealth management differentiation. *A quarter of the HNW participants in this year's World Wealth Report said a lack of personalized advice (based on their life stage and requirements) often led to a low personal connection with their wealth managers.*

With next-gen clients at the center of digital disruption, hyper-personalized offerings have become the new normal.[20]

> *"Hyper-personalized offerings are the future, and there is now a definitive drive to store client data securely in a central platform, even regulations are playing a driving role in this process."*
>
> **—Steve D'Souza**
> Head of Private Banking and Wealth Management, Fenergo

These specialized offerings go beyond clients' now-expected personalized content delivered at the right time within the appropriate context.

> *"U/HNW clients want customized wealth solutions for their individual needs where 'one-size-fits-all' is a thing of the past. For wealth management firms globally, this can be difficult to deliver due to their complexities, compliance, etc. This 'standard' is what made them successful. Digital is the answer to this challenge. This challenge has, however, created an opportunity for smaller and more agile firms to win new clients by providing customization that this cohort demands."*
>
> **—April Rudin**
> Founder and President, The Rudin Group

Competitive advantage through personalization

Across the industry today, clients are being offered personalized experiences. An executive at one of the global private banks we surveyed said they leveraged risk algorithms to model each client's risk-return profile so that solutions can be personalized according to client needs and appetite. Another regional European bank described a model that offers different client segments custom solutions based on demographics, risk profile, and other client-specific criteria.

However, only close to 40% of surveyed HNWIs said they were satisfied with personalized offerings from their wealth management firms. Moreover, the gap widened among younger HNWIs as only 33% of under-40 HNWIs reported satisfaction compared to 41% of older counterparts (aged above 60). This gap is possibly the result of the expectations of next-gen clients who grew up in an on-demand, personalized world where brands such as Netflix, Google, and Amazon set the bar.

What's missing? The challenge is to deliver personalization efficiently and at scale. The wealth industry's digital and artificial intelligence evolution has opened the door to opportunity. Firms that harness the power of AI and analytics to drive personalization can achieve economies of scale that may eventually lead to earmarking products or solutions for clients and segments within the right context rather than focusing on product introduction at an individualized level. However, firms are yet to tap this opportunity fully. A focus on three priorities may help.

1. *Firms are now required to move one-step forward by engaging into a more individualistic approach with a value-based segmentation approach.* Many firms have moved from engaging individual clients than the mass segments. For example:

   BNL-BNP Paribas Private Banking is developing e-Private banking tools to cater to digital-only clients as well as a project called Hedging to accommodate the high-earning, not rich yet (HENRY) segment in the private banking space

that offers specialized products and services according to their needs.[21]

BNP Paribas also developed a biometric recognition and unlocking system, My BioPass, that leverages fingerprint, voice, and facial recognition for wealth management clients. BioPass is activated only after a face-to-face appointment between the client and private banker who validates recordings.[22]

2. *Rather than using siloed multi-channel efforts, firms and wealth managers must focus on omnichannel engagement while providing hyper-personalized offerings.* When asked how they tailor services for clients, surveyed wealth managers said their top methods were regular catch-up conversations (94%) and using the firm's digital capabilities (87%). Although regular face-to-face sessions are the most valued, the need remains to equip wealth managers with communication tools that leverage digital capabilities.

3. *Hyper-personalized offerings require advanced technology efforts which can enable clients to enjoy the personalized and engaging experience while empowering wealth managers.* Powered by intelligent automation, AI, and analytics, the solutions have the potential to address client satisfaction. Surveyed executives shared examples of "Next-Best-Action" solutions based on the "Know-Before-They-Know" concept, which helps to determine a course of action before clients become aware of the problems.

> *"Artificial intelligence has the potential to bring mass personalization at the scale (of thousands) to deliver tailored advice to clients."*
>
> **—Kevin Jestice & Mindi Marisa**
> Vanguard, Enterprise Advice

For instance, a firm executive said that the firm's AI-driven next-best-offer tool predicts potential client needs and products that may be useful over the coming months, thereby increasing client service. Another European firm said it leverages predictive analytics to analyze client behavior and preferences and to further deliver next-best actions in terms of investment decisions.

Case study: Morgan Stanley[23]

Challenge: While the bank received a huge amount of data related to market conditions and possible investments, financial advisers found it difficult to efficiently share the information with wealth clients. Additionally, clients demanded products and services that were compatible with their risk profile and financial needs.

Solution: Morgan Stanley developed a next-best-action tool that employs machine learning to analyze vast amounts of data (both historical and real-time information), to develop tailor-made investment options for clients. It goes one step further to give clients recommendations related to real-life events such as illness, education needs, etc.

Impact: Clients get investment advice that aligns with their preferences, and that could potentially be very profitable. The personalized experience is not limited to finances, which enhances satisfaction with the bank.

Hyper-personalization may bring a client-centricity focus to wealth management (versus product centricity) and offer tremendous benefits to clients. As new players (FinTechs, BigTechs) try their best to grab their share of the pie, hyper-personalization could help firms and wealth managers redefine client experience and reinforce their commitment to serving clients better.

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[21] World Finance, "BNL-BNP Paribas Private Banking is driving change in Italy's private banking sector," Gianpietro Giuffrida, August 21, 2018, https://www.worldfinance.com/banking/bnl-bnp-paribas-private-banking-driving-change-in-italys-private-banking-sector.

[22] BNP Paribas Wealth Management, "My BioPass," http://factory.wealthmanagement.bnpparibas/lu/en/initiatives/mybiopass, accessed May 2019.

[23] Harvard Business Review, "How Machine Learning Is Helping Morgan Stanley Better Understand Client Needs," Thomas H. Davenport, Randy Bean, August 03, 2017, https://hbr.org/2017/08/how-machine-learning-is-helping-morgan-stanley-better-understand-client-needs.

As wealth management firms weigh AI enablers versus challenges (Figure 16 and 17), our executive interviews indicate that AI is bound to play an important role among next-gen technologies. However, while AI can add value across many areas, firms should not become dependent upon it as the core solution.

Human oversight of wealth managers should remain a core component with AI solutions leveraged to manage risks better. A senior executive at a private Asia-Pacific bank agreed, adding, "Technology, including AI, essentially removes emotions, but clearly helps to see the blind side and provide clear distinctive recommendations which humans could miss."

Therefore, it is important that firms embrace AI-enhanced capabilities (such as leveraging data to process complex information) and couple them with the emotional and human expertise advantage of wealth managers. This will also enable firms to set realistic ROI expectations for automation and AI solutions. These solutions may not be able to transform sales but instead can enable wealth manager efficiency, which can ultimately yield better client experience.

Wealth management firms will have to separate hype from potential, but firms that fall behind in emerging technology adoption may find it difficult to stay ahead within an increasingly competitive landscape.

Putting it all together – unlocking a better transformational framework

Our research revealed that wealth management firms realize the importance of innovative and transformative efforts to enable their clients and empower wealth managers.

A gap exists between implementation and strategy, however. Only 5% of surveyed firms said they had implemented AI strategies across all core areas (Figure 15). The sizeable difference was apparent

Figure 16. Major challenges of adopting AI



AI Challenges

Bucket	Challenges	Select quotes from discussions
Resource constraints	Limited investment allocation Reliance on legacy systems Developing AI transformation team	"Lack of matured IT infrastructure and budget preferences are slowing down the rate of AI adoption."
Perception of AI	Wealth Managers' anxiety due to risk of obsolescence Client preferences	"AI has a limited impact on process efficiencies, and the risk of AI replacing human advisors is a big concern for us." "We believe wealth managers are more important. Clients would prefer them to a machine interface."
Ambiguity of ROI	Lack of clarity about business impact of AI Ambiguity related to AI capabilities	"There is a lack of clear added value for the firm. Integrating AI/ML could potentially take over the job of wealth managers over time and it does not seem like the right timing to initiate this move."
Regulations and compliance	Stringent and dynamic regulations	"Operating within the fiduciary and highly regulated environment is limiting the adaptation of AI."

Source: Capgemini Financial Services Analysis, 2019; Executive Interviews, 2019.

with their approach to collaboration and change management. Surveyed firms with high collaboration and change management effectiveness scores also ranked higher in their implemented transformative strategies and benefits.

There was also a correlation between higher AI implementation and firms' placement in high-growth markets. Firms in markets that pushed for technology seemed to be more adaptive, while firms other markets did not face such demand for technology/ digital adoption. An executive from a regional European wealth firm said, "In markets like China, Singapore, wealth management is highly digital, but the European markets have a mixed feeling about it. Undoubtedly, the future of service will be digital and customized, but this won't fundamentally change the wealth business as digital will form only a short comparative advantage."

Executives in North America and Asia-Pacific acknowledged that technology is a key component and probably table stakes, while European executives did not seem to believe digital was a must have.

Although views varied, executives across all regions concurred that the industry landscape was continually evolving and agility and willingness to change were critical. Therefore, wealth management firms need to unlock the transformative benefits of incrementally changing their business operating models and empowering wealth managers and clients. "How wealth management works in the Far East is very different from the way a manager in Switzerland interacts with his client," said a CEO from a North American wealth management firm.

As we saw in the *WWR 2018,* to avoid losing ground, most firms have focused on investment in catch-up and maintenance activities while also investing considerably in Big Bets and Ventures.

Figure 17. Major enablers of adopting AI

AI Enablers

Bucket	Enablers	Select quotes from discussions
Operational efficiency	Increased process efficiency through optimization Cost reduction due to automation	"The adoption of artificial intelligence has been boosted by the high benefits guaranteed in terms of efficiency and business process optimization."
Shift in business strategy	To gain competitive advantage Opportunities to enter new markets	"AI and related investments are done keeping an eye on business logic and simplification." "Using data to show clients the value created, would enable us to move away from product-focused strategy."
Keeping up with evolving client demands	Need to offer personalized products To enhance client experience	"AI and data analytics, coupled with automated feed, is key to managing client data effectively, and creating value." "Predictive analytics, along with CRM, would definitely result in effective marketing and enhancing client experience."
Need to support wealth managers	Need to enable wealth managers	"AI adaption has been driven by the need to simplify advisors' work so that they can focus on tasks that add more value."

Source: Capgemini Financial Services Analysis, 2019; Executive Interviews, 2019.

While this investment process continues, firms must prepare to support a flexible business model to cope with the changing environment.

We uncovered three strategies to support sustainable investment growth within a changing and disruptive landscape:

1. Bridge value gaps for clients and wealth managers

- Understanding expectations will be essential. Start by identifying the expectations and pain points of clients and wealth managers. Do we understand their expectations clearly?
- If not, how can we accurately determine client expectations and our firm's capability gap?
- How can we better meet the wealth manager's expectations to reduce wealth manager attrition?
- How do we set up a future mechanism to assess clients and wealth manager expectations and potential gaps?

2. Refine or redefine strategy and IT infrastructure for the future

Meeting expectations may help firms address current challenges but will not be enough to operate in tomorrow's world, especially with more digital-savvy clients. A robust digital strategy that takes full advantage of emerging technologies and new tools will help create opportunities to stay ahead of demand (Identifying which technology will be a strategic fit for your firm will be of huge importance).

- Do our IT infrastructure and tools meet current and, more importantly, future client expectations?
- What tools do we need to satisfy business needs?
- What strategy should the firm follow (agile versus robust) while retooling our IT infrastructure?
- Can we develop these tools in house?
- If not, do we have collaborative partners in place to deliver these tools?
- How can we keep up with new technology in the future by constant tweaking of IT infrastructure?
- How do we change our digital strategy to keep up with evolving client and wealth manager demands?
- How much emphasis should we give to investing in developing new tools vis-a-vis maintaining current tools?

3. Leverage the integrated ecosystem

As the gates open to digital competitors such as FinTechs and BigTechs with innovative capabilities and fewer barriers to market entry, firms must identify their role in the integrated ecosystem. With the ecosystem being reshaped by new players and the risk of losing HNW clients (potential asset transfer to BigTech services at nearly US$12 trillion as per *WWR 2018*) mounting, collaboration will be critical and will allow firms to excel.

The key focus for firms will be to bolster their strengths on client relationships, wealth manager relationships, trust with clients, etc. by leveraging external experts on tools and capabilities. It is important to support in-house technical capabilities with solutions from complementary external providers.

There are also several examples of third-party firms in the industry that partner with wealth management firms in their transformation journeys.

For instance, Fenergo collaborates with banks and other financial institutions to deliver customized digital client lifecycle management solutions to satisfy specific business needs.

Fenergo has collaborated with wealth management firms to provide core AML, KYC and tax screening functionality and onboarding workflow orchestration that helps reduce client onboarding times and improve client experience. Such examples highlight that choosing the right provider relieves the firm of their bureaucratic burden enabling an integrated ecosystem.

Key questions for wealth firms:

- What strategic bets in terms of BigTech and other partnerships do we place for our future growth?
- What are the areas of our strength and self-reliance, and where do we need help from partners? What tools and capabilities can we rely on partners to build?
- Considering these needs, what would be the best way to form strategic alliances (plug-in, collaboration, acquisition, investment, etc.)?
- Who do we partner with given there are plenty of firms available?
- Do we have partnerships in place to take advantage of the open ecosystem?
- How can we make sure our needs align with our partner to form a fruitful relationship?
- What key metrics should we capture to measure the effectiveness of collaboration?

Once firms begin the journey to new sustainable service models, they must ensure they are ready to support the change. To truly reap benefits from newly implemented tools/emerging technologies and transformative efforts, firms must prioritize change management to enable efforts at scale. An effective change management process goes beyond managing the transition of technology and includes people and process elements as well.

With respect to people, ensuring leadership buy-in and a top-down approach to change is critical. Building and rewarding the right culture and hiring/retaining the right and top talent are other areas to work on. The era of building in house or buying is over, and the emphasis now is on building ecosystem partnerships to achieve the right technology and culture. It is an era of specialized/niche skills, where wealth firms need to take advantage of other experts/tools and focus on their core strengths. Firms with high-end strategic wealth management capabilities can focus on their client relationships while leveraging different firms for technology tools, expertise in areas such as tax, legal, etc. While, a firm with expertise in building products (and technology tools) can partner with firms (or wealth manager networks) that can bring their distribution and client relationships to the table.

Conclusion

As in other sectors, wealth clients have become vocal about the experience and interactions they expect from their firms and wealth managers. In response, firms are exploring new digital and hybrid business models that give clients the flexibility of omnichannel choices to move seamlessly between digital or face-to-face connection.

When it comes to understanding the needs of today's clients, firms still have work to do to address gaps. The role of the wealth manager is at the heart of client connection, so wealth managers' expectations must be discussed and woven into the firm's transformation journey. Redefinition of wealth manager roles and business models will determine firm success within an integrated and open economy.

Aligning client interests and enabling wealth managers will bolster firm effectiveness in today's scenario. However, future readiness requires going beyond enablement. The entry of new players and era of open environment we call Open X (see the *World FinTech Report 2019*), will require the industry to evolve rapidly. Firms will need to evaluate their strengths and find a niche (either as a client-facing distributor and aggregator or as a product expert/producer – or even as an orchestrator, though that might not align with their strengths) to ensure that they play a critical/meaningful role in the Open X environment.

Enabling wealth managers and clients may be challenging, but opportunities for firms promise to be transformative. It is essential for firms to gauge their business and service delivery models and ask: Are we ready to offer client experience enhancements now and for the disruptive future – the Open X environment?



Appendix

Market Sizing Methodology

The *World Wealth Report 2019* covers 71 countries in the market-sizing model, accounting for more than 98% of global gross national income and 99% of world stock market capitalization.

We estimate the size and growth of wealth in various regions using the Capgemini Lorenz curve methodology, which was originally developed during consulting engagements in the 1980s. It is updated on an annual basis to calculate the value of HNWI investable wealth at a macro level.

The model is built in two stages: the estimation of total wealth by country, and the distribution of this wealth across the adult population in that country. Total wealth levels by country are estimated using national account statistics from recognized sources, such as the International Monetary Fund and the World Bank, to identify the total amount of national savings in each year. These are added over time to arrive at total accumulated country wealth. As this captures financial assets at book value, the final figures are adjusted, based on world stock indexes to reflect the market value of the equity portion of HNWI wealth.

Wealth distribution by country is based on formulized relationships between wealth and income.

Data on income distribution is provided by the World Bank, the Economist Intelligence Unit and countries' national statistics. We then use the resulting Lorenz curves to distribute wealth across the adult population in each country. To arrive at investable wealth as a proportion of total wealth, we use statistics from countries with available data to calculate their investable wealth figures and extrapolate these findings to the rest of the world. Each year, we continue to enhance our macroeconomic model with increased analysis of domestic economic factors that influence wealth creation. We work with colleagues around the globe from several firms to best account for the impact of domestic, fiscal, and monetary policies over time on HNWI wealth generation.

The investable asset figures we publish include the value of private equity holdings stated at book value, as well as all forms of publicly quoted equities, bonds, funds, and cash deposits. They exclude collectibles, consumables, consumer durables, and real estate used for primary residences. Offshore investments are theoretically accounted for, but only insofar as countries can make accurate estimates of relative flows of property and investment in and out of their jurisdictions. We account for undeclared savings in the report.

Given exchange rate fluctuations over recent years, particularly with respect to the US dollar, we assess the impact of currency fluctuations on our results. From our analysis, we conclude that our methodology is robust, and exchange rate fluctuations do not have a significant impact on the findings.

2019 Global High Net Worth Insights Survey

The Capgemini 2019 Global HNW Insights Survey queried more than 2,500 HNWIs across 19 major wealth markets in North America, Latin America, Europe, and Asia-Pacific. Respondent demographics, as broken down by region, age, gender, and wealth band, are captured in Figure M1 and M2.

The Global HNW Insights Survey, was administered in January and February 2019 in collaboration with Scorpio Partnership, a firm with more than 20 years of experience in conducting private client and professional advisor interviews in the wealth management industry. The 2019 survey covered key areas around HNWI investment behavior including HNWI trust and confidence, satisfaction, comfort level with fees, and personalized services. The survey measured current HNWI investment behavioral patterns of global HNWIs, including their asset allocation preferences as well as the geographic allocations of their investments. The survey also covered the quality of HNWIs' personal connection with wealth managers. In addition, the survey focused on understanding the client interactions (through wealth manager or digital channels) with the firms.

To arrive at global and regional values, country- and region-level weightings, based on the respective share of the global HNWI population, were used. This was done to ensure that the survey results are representative of the actual HNWI population.

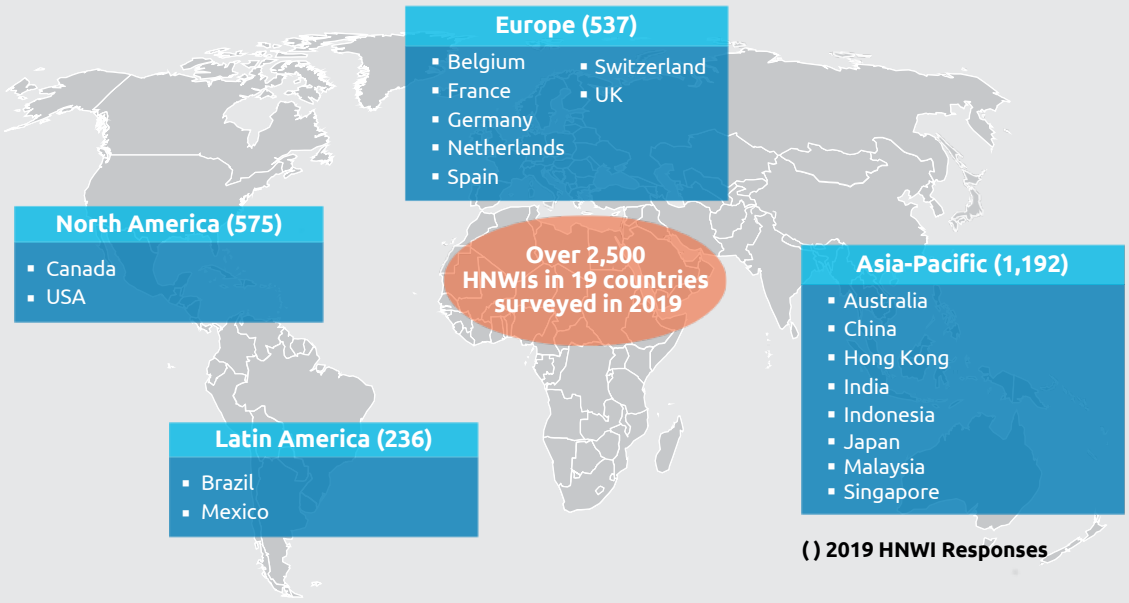
2019 Capgemini Wealth Manager Survey

The third edition of the 2019 Capgemini Wealth Manager Survey queried around 250 wealth managers across major wealth markets in North America and Europe.

Respondent demographics, as broken down by age, and gender, are captured in Figure M3. The survey was administered in February–April, 2019, in collaboration with Phronesis Partners.

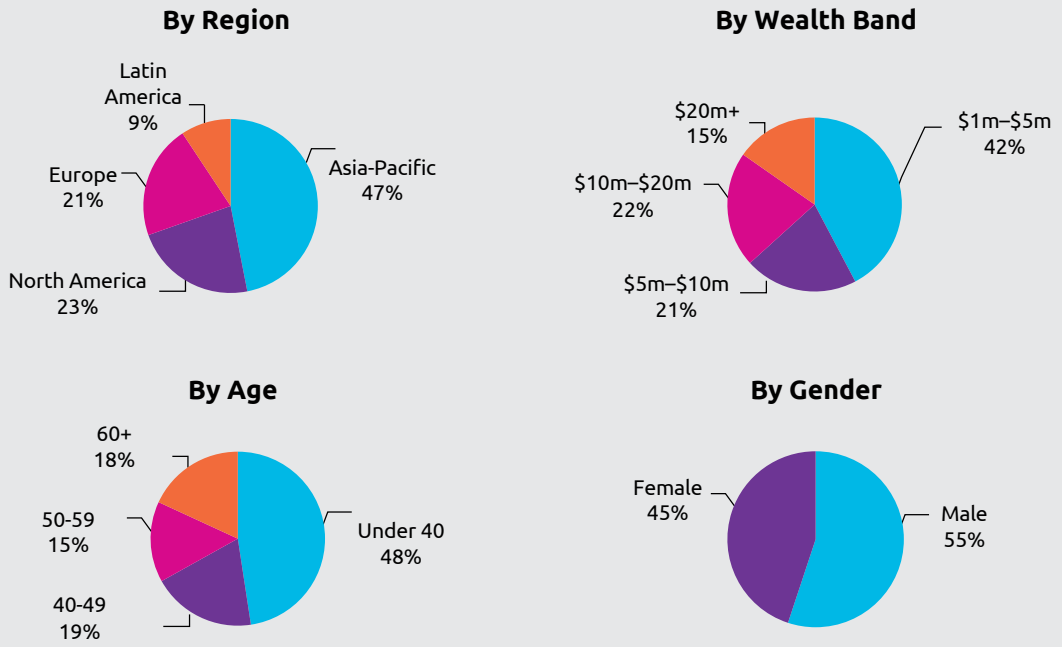
It focused on the emphasized analysis on the following key areas: wealth manager view on the future of wealth management industry; wealth manager importance regarding key capabilities provided by the firm and their judgement regarding firms' focus on those; wealth manager views on valuable services, next-gen tools, and personalization for clients.

Figure M1. Global HNW Insights Survey responses, Q1 2019



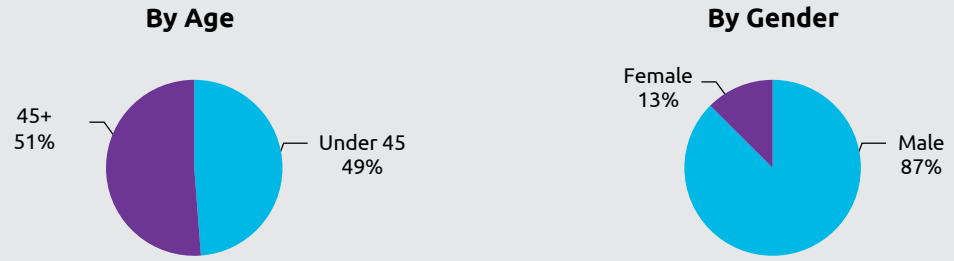
Source: Capgemini Global HNW Insights Survey, 2019.

Figure M2. Global HNW Insights Survey demographic breakdown, Q1 2019

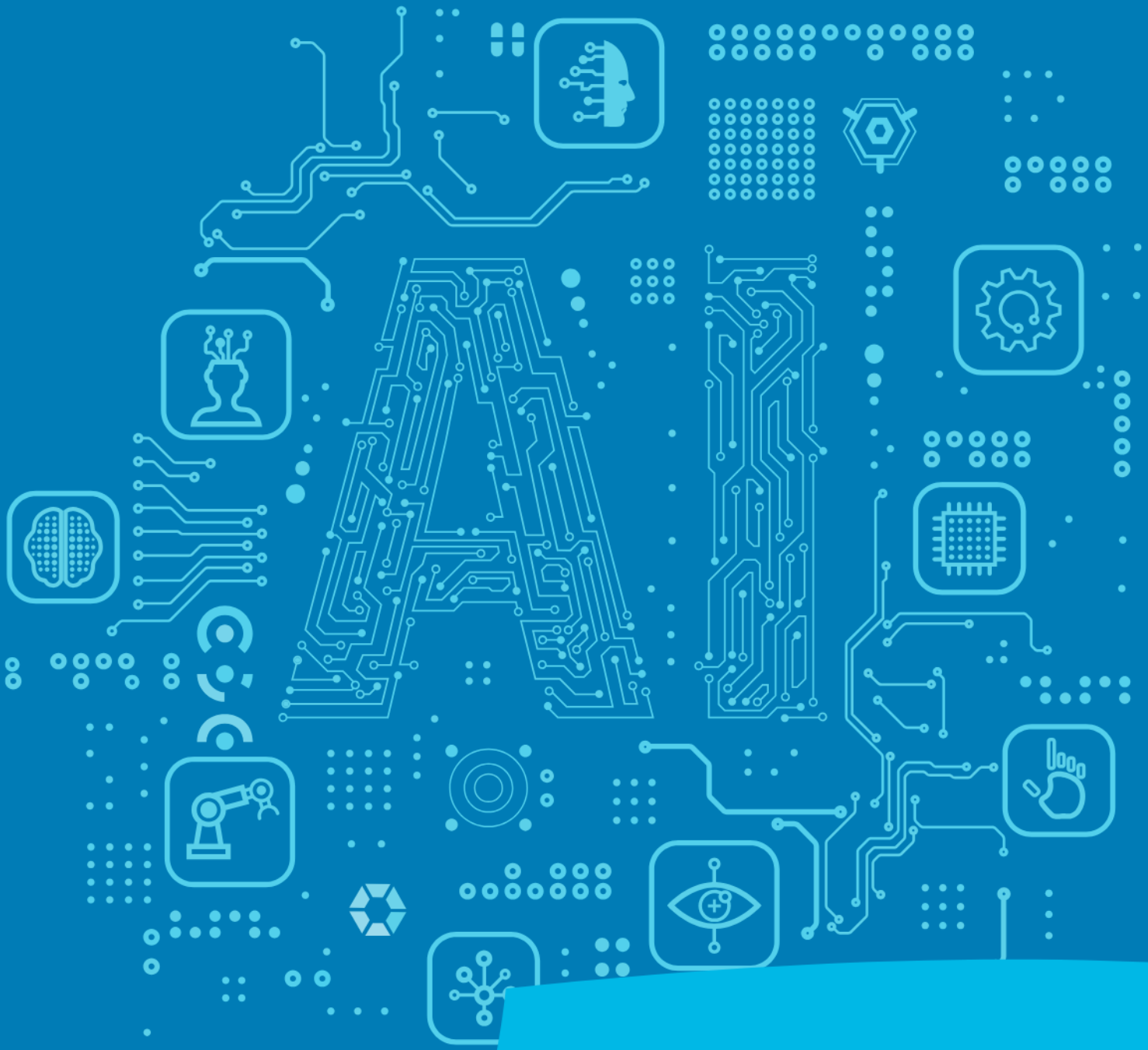


Source: Capgemini Global HNW Insights Survey, 2019.

Figure M3. Global Wealth Manager Survey demographic breakdown, Q1 2019



Source: Capgemini Wealth Manager Survey, 2019.


AI

About Us



A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

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Capgemini's wealth management practice is equipped to assist firms with strategy, design and through to implementation. Based on our unique insights into the size and potential of target markets across the globe, we help clients implement new client strategies, adapt their practice models, and ensure solutions and costs are appropriate as well as relative to revenue and profitability expectations. We further help firms develop and implement operational infrastructures—including operating models, processes, and technologies—required to retain existing clients and acquire new relationships.

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