Capgemini
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WORLD WEALTH REPORT 2020



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Preface

At the turn of the new decade, it appeared that the record-long bull market – albeit caffeinated in 2019 by unprecedented government stimuli – would continue roaring into the '20s. Developed markets were leading global wealth growth for the first time since 2012, with North America up by double digits. The ultra-high-net-worth wealth segment was adding to its global ranks. And despite an undercurrent of trade and geopolitical tensions, global wealth was climbing.

It was within this environment that we conducted the Global High-Net-Worth Insights Survey between January and February 2020. We sought to understand the mindsets of the world's wealthiest individuals in relation to their trust and confidence in their wealth firms, their satisfaction with investment advice and returns delivered, their comfort level with fees, and their take on personalized services. The survey revealed that HNWIs are increasingly willing to engage with digitally capable BigTechs and suggested that firms could mitigate disruptor encroachment by focusing on the most vulnerable client journey touchpoints.[1] Our research also revealed that real-time access to information and complex global interdependencies seemed ready to spark an evolution of novel individual investment patterns and market growth trends.

Few predicted the unlikely black swan that would usher in the biggest health crisis and its severe social and economic impact. Instead of new investment opportunities, it was the novel coronavirus that descended with such ferocity that markets plummeted to their lowest since 1987. The pandemic was unexpected by most, unplanned for, and largely unprecedented. While there is no historical guidance for what may happen next, the virus and its impact on the global economy have materially changed the investment outlook for 2020. However, as virologists seek to flatten the curve, wealth managers can raise the bar and safeguard profits by staying in tune with the evolving priorities of many HNWIs – particularly as sustainability investments that uphold environmental and social priorities gain prominence in a post-pandemic environment.

In the face of today's extraordinary uncertainty, forecasts, models, and assumptions may merit review and potential adjustments. Wealth firms that revisit their cost structure and distribution channels can build more resilient and agile business and operating models. This unpredictable period may also present opportunities to reach underserved or new investors, as demand for advice tends to increase during periods of market turbulence and the strategic case for sustainable investment advances. Now, as wealth management firms are hard-pressed to get the most bang from pressurized budgets, it will be wise to determine which critical capabilities (such as hyper-personalization and value-added services) have the most potential to boost client experience and firm profits. Based on each wealth firm's core competencies and business goals, the shared ecosystem of the impending Open X[2] era offers a direct line to competitive advantages and profits by offering a mix of adaptable approaches such as build, buy, and partner with trusted third parties.

Your firm's response to the events of 2020 and the ability to effectively engage with clients whose priorities may be shifting can define the future of your business. We hope the insights and real-world examples in our report spark your innovative decision making throughout the months ahead. We are here to help.



Anirban Bose

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

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[1] High-Net-Worth Individuals (HNWIs) are defined as those having investable assets of USD1 million or more, excluding primary residence, collectibles, consumables, and consumer durables.

[2] Open X represents an enhanced approach to open banking characterized by a seamless **eX**change of data and resources to **eX**pedite product innovation for excellent customer **eX**perience.

Executive summary

A post-pandemic world influenced by as-it-happens news sharing and complex global interdependencies has tossed wealth management firms into uncharted waters

- Dull by today's standards, 2019's idling economy spawned 8.8% growth in the high-net-worth individual (HNWI) population, while global wealth grew by 8.6% amid good stock market performance.[3]
- Developed markets led 2019 global wealth growth (the first time since 2012), with North America leading at 11% growth and surpassing the traditional leader, Asia-Pacific.
- The ultra-HNWI segment increased most in terms of population, by 9.1%, but its wealth growth (8.2%) was less hearty.
- As for what lies ahead, ever-increasing access to real-time information, coupled with today's uncertainty and complex global interdependencies, may spark an evolution of novel individual investment patterns and unexpected market trends.

Within the uncertain COVID-19 environment, hyper-personalized offerings and socially responsible investment options will be essential to meeting client expectations, retaining current business, and capturing growth opportunities

- 2020 unpredictability has suppressed HNWI risk appetite, as expectancies around value for advisory fees creep upward.
  - The harsh COVID-19 investment environment will likely increase client expectations on value delivered for fees charged.
- Firms that expand product offerings with sustainable investment options and value-added services can open new doors to revenue.
  - Environmental, Social, and Governance (ESG) investments are likely to take on even more significance for HNWIs and wealth management firms in a world increasingly impacted by environmental and social risks.
- Proactive care to clients' unique needs during transition points in their life and financial journey can also help wealth management firms tap future growth segments.
- Aided by technologies such as artificial intelligence (AI) and analytics, firms can hyper-personalize the customer experience (CX) to uniquely meet the individual needs of existing as well as prospective clients.

[3] For the purposes of our analysis, we separate HNWIs into three discrete wealth bands:
Millionaires next door: those with USD1 million to USD5 million in investable wealth
Mid-tier millionaires: those with USD5 million to USD30 million
Ultra-HNWIs: those with USD30 million or more.

Wealth management firms can safeguard profits in uncertain times, with a focus on critical touchpoints and operating model optimization

- In the face of today's unprecedented uncertainty, wealth firms that revisit their cost and clients' fees structure and distribution channels can build more resilient and agile business and operating models.
- Firms can maximize the impact of their investments through a laser focus on capability building to identify the critical 20% of the value chain that impacts 80% of CX and profitability (80/20 principle).
- A lack of personalized information/services delivery is proving to be the Achilles' heel for wealth management firms, but a focus on the stages of acquisition, advisory, and value-added services can help safeguard a client base that is increasingly willing to engage with BigTechs.
- Across the firm's value chain too, the stages of acquisition, advisory, and value-added services emerge as the critical 20% for future growth as emerging technologies enhance internal capabilities in these areas.
- Embracing the Open X mindset, where FS and non-FS players collaborate effectively in an open environment, can enable firms to prioritize capability-building in critical focus areas while leveraging ecosystem collaboration to quickly and cost-effectively fill capability gaps in other areas.



Wealth managers must navigate an uncharted, post-pandemic world without a playbook

Amid hyper-connectivity and economic and market ambiguity, unusual financial trends are emerging

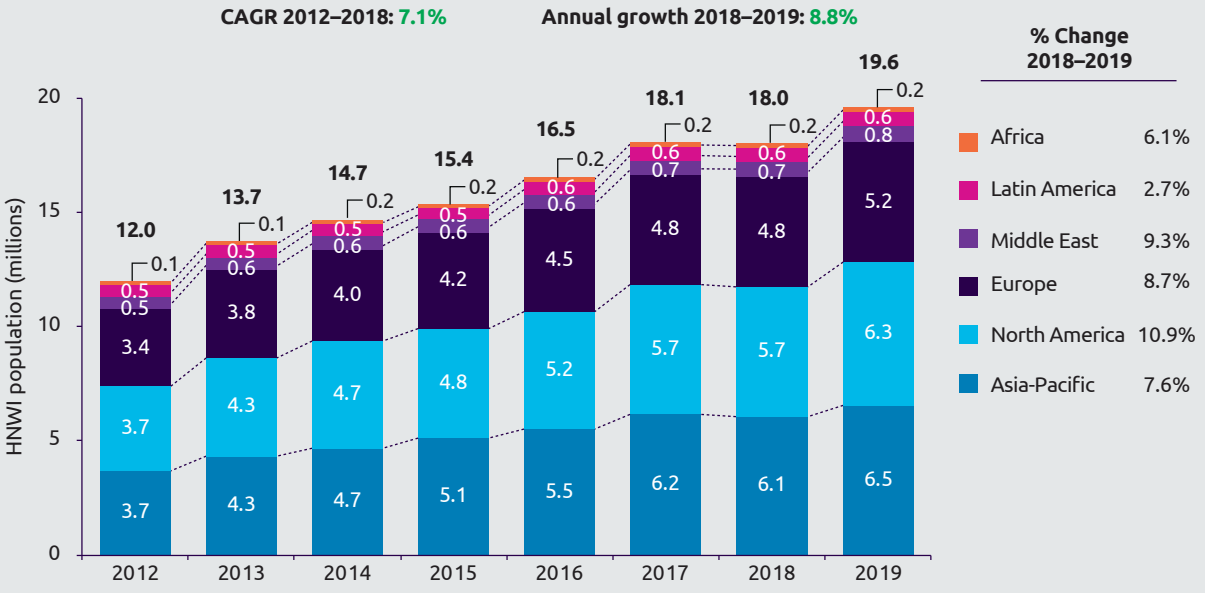
The biggest health crisis of the past century, COVID-19, has severely impacted billions of lives, both socially and financially. With a projected 3% decline in the global economy, 2020's financial challenges may not be over.[4] However, our trends study of 2019 market growth indicates that despite a dwindling economy, financial markets could prove resilient and boost the global outlook.[5]

Like a tea kettle that refused to whistle, pent up anxiety characterized pre-pandemic 2019 as markets prepared for the impact of macroeconomic trends that never fully materialized. It was a wait-and-watch year that featured a global economic slowdown, disruptive international trade wars, and political tectonics such as Brexit, Hong Kong social unrest, and Latin American power plays.

Nevertheless, around the world, the high-net-worth-individual (HNWI) population and financial wealth each grew by nearly 9% in 2019.

Rising trade tensions and geopolitical unrest took a toll on business confidence, investment decisions, and global trade. However, a notable shift to monetary policy accommodation across regions – and tech sector performance optimism – calmed tensions around financial market sentiment and activity.

Figure 1. Number of HNWIs by region (millions), 2012–2019



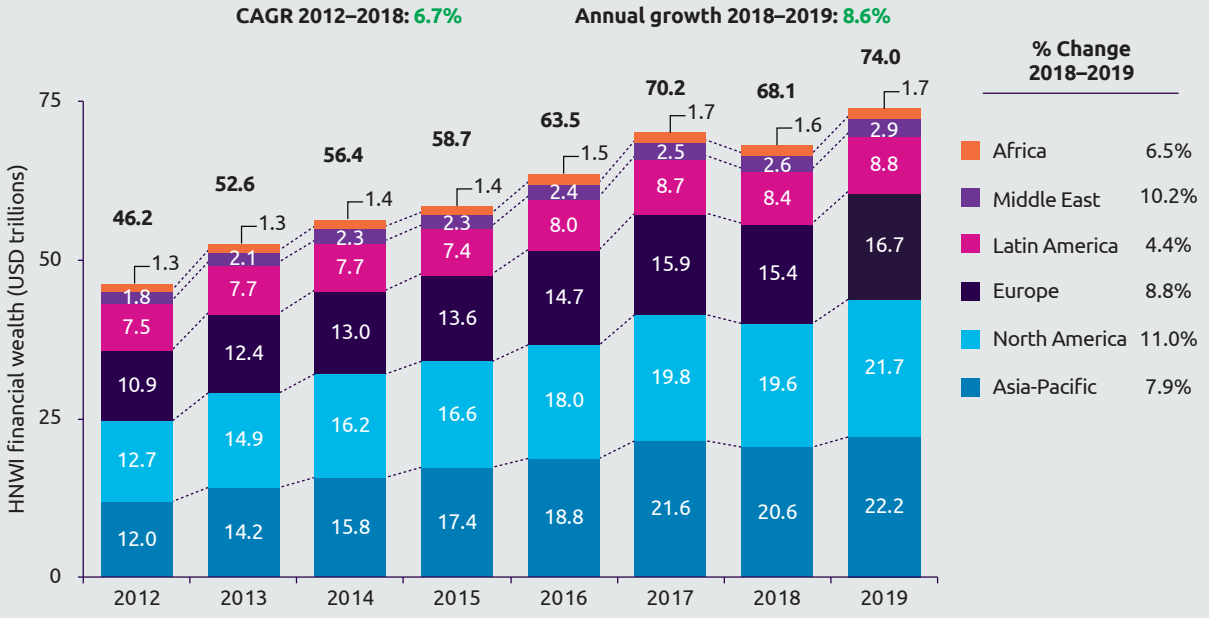
Note: Chart numbers and quoted percentages may not add up due to rounding.

Source: Capgemini Financial Services Analysis, 2020.

[4] Congressional Research Service, "Global Economic Effects of COVID-19," May 1, 2020; https://fas.org/sgp/crs/row/R46270.pdf.

[5] World Federation of Exchanges, "First Quarter 2020 & Full Year 2019 Market Highlights," May 7, 2020; https://www.world-exchanges.org/news/articles/world-federation-exchanges-releases-first-quarter-2020-full-year-2019-market-highlights.

Figure 2. HNWI financial wealth by region (USD trillions), 2012–2019



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

Source: Capgemini Financial Services Analysis, 2020.

In Q1 2020, the impact of COVID-19 wiped out over USD18 trillion from markets globally over the course of February and March 2020, before recovering slightly in April.[6] Based on our analysis of various market and economic parameters, a quick estimate shows a decline of 6–8% in the global wealth till the end of April 2020 (vs the end of 2019).

North America and Europe surpassed Asia-Pacific to lead global performance in population and wealth growth

For the first time since 2012, the Asia-Pacific region did not lead global HNWI wealth growth (or decline in 2018). North America was the driving force in 2019, with an 11% increase in both HNWI population and wealth. It accounted for 39% of global HNWI population gains and 37% of HNWI wealth growth (USD2.2 trillion).

In the United States, the HNWI population shot up 11% in 2019 compared with 1% in 2018. US equities made robust Q4 2019 gains as trade uncertainty faded in December when the United States and China rolled out their Phase One trade deal. The markets benefited from measures taken by the US Federal Reserve to pump billions of dollars into the financial system after tumult in mid-September. They also were aided by optimism surrounding technology companies. The top five contributors in the market surge were tech stocks – Apple and Microsoft accounted for nearly 15% of S&P gains.[7]

In Canada, both HNWI population and wealth posted increases of more than 8% in 2019. Diminishing US-Canada trade tension had a significant impact on Canada's equities market as well, with the S&P/TSX Composite rising more than 19% following a nearly 12% decline in 2018.[8]

Growth performance in Europe topped that of key emerging regions – Asia-Pacific and Latin America – in 2019, with HNWI population and wealth growth at around 9%. European central banks supported Eurozone stock markets by stepping back from tighter monetary policy. Economically sensitive sectors

[6] World Federation of Exchanges, "First Quarter 2020 & Full Year 2019 Market Highlights," May 7, 2020; https://www.world-exchanges.org/news/articles/world-federation-exchanges-releases-first-quarter-2020-full-year-2019-market-highlights.

[7] CNBC, "The stock market boomed in 2019. Here's how it happened," December 31, 2019; https://www.cnbc.com/2019/12/31/the-stock-market-boomed-in-2019-heres-how-it-happened.html.

[8] GLC Asset Management, "GLC 2019 Market Year in Review," January 6, 2020; https://www.glc-amgroup.com/news-insights/market-reviews/2019-market-year-in-review.html.

such as manufacturing and information technology performed well, but safe-haven consumer staples and real estate sectors were also top performers.

Amid the uncertainty surrounding Brexit throughout 2019, both HNWI population and wealth in the United Kingdom grew more than 6%.

Despite robust market performance from a few of its countries in 2019, APAC overall fell behind the average (9%) global HNWI growth rate by expanding just 8%.

Key Asian countries – Hong Kong, China, and Taiwan – experienced double-digit HNWI population and wealth growth. On the heels of more significant government support for the domestic economy, China's CSI 300 stock index climbed upward.

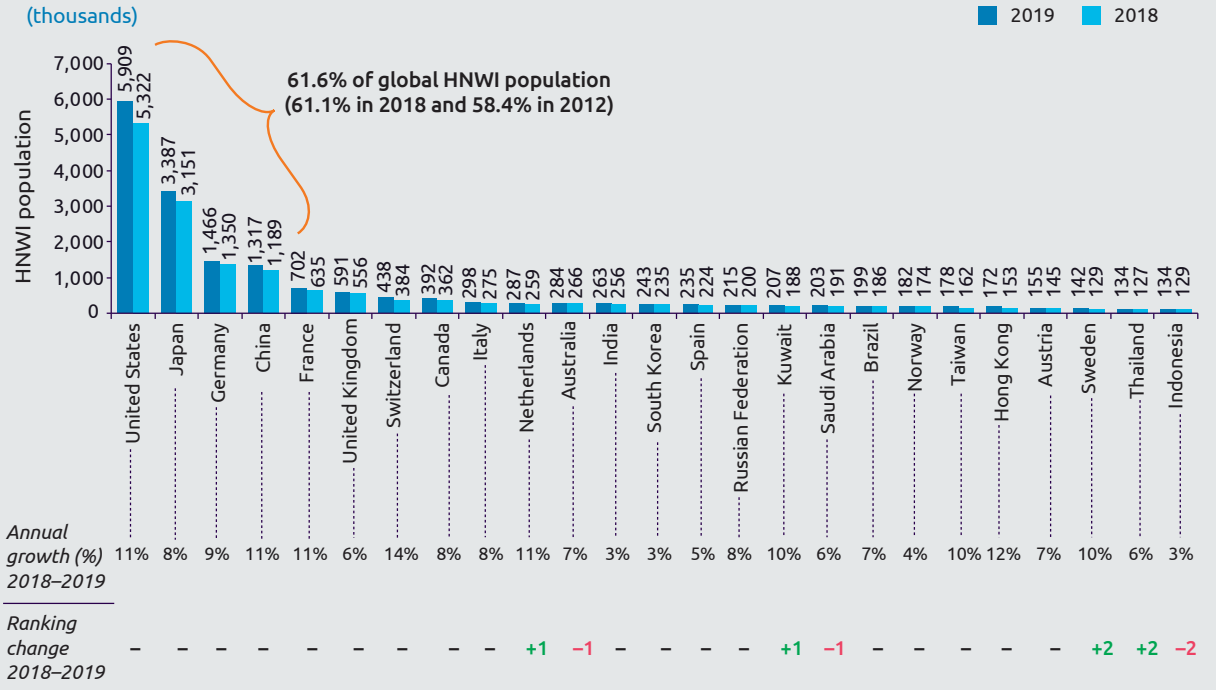
Before the novel coronavirus began to affect China in late 2019, the country reaffirmed its commitment to expanding its markets and to improving the domestic business environment in the People's Republic for foreign companies; as a result of a trade war truce with the United States. The move shifted the attention of international investors to China's A-shares market – one of the world's largest – with a total value of USD7,903 billion.[9]

Hong Kong stocks capped off a gloomy 2019 with a December rally supported by a government resolution to manage the US-China trade deal. Also, its residential property price index rose by more than 5% during 2019.[10]

Other major Asian markets – India, South Korea, and Singapore – recorded weak progress in 2019, which led to sub-par growth in HNWI population and wealth for the entire region. Anemic performance in these markets was the result of economic slowdown and weakening local currencies.

The United States, Japan, Germany, China, and France continued as the top five countries by total HNWI population in 2019, with their contribution increasing significantly over 2018. The top four countries accounted for nearly 62% of the HNWI population in 2019, and they were responsible for more than 67% of global HNWI population growth.

Figure 3. HNWI population by country, 2018–2019



Source: Capgemini Financial Services Analysis, 2020.

[9] Schroders, "Eight charts that explain the growing importance of China A-shares," September 24, 2019; https://www.schroders.com/en/ch/wealth-management/insights/markte/eight-charts-that-explain-the-growing-importance-of-china-a-shares.

[10] Global Property Guide, "Hong Kong's property market remains resilient, but uncertainty persists," February 18, 2020; https://www.globalpropertyguide.com/Asia/Hong-Kong/Price-History.

Within the top-25 HNWI-population markets, a noteworthy shift was Sweden's gain of more than 10% in HNWI population growth to move up two places (to rank 23). The Netherlands moved up, too, to join the top-10 list as a result of robust real estate sector growth and an increase in market capitalization.

While the populations of higher wealth bands grew the most in 2019, wealth itself was constrained

Population and wealth grew at an even pace in 2019 for millionaire-next-door and mid-tier millionaire wealth bands. In contrast, ultra-HNWI wealth growth was below average compared with population growth – an unusual trend.

In 2019, ultra-HNWI population and wealth grew 9% and 8% over 2018, respectively. Higher wealth bands often make investments beyond equity markets – such as private equity – that can be unstable during uncertain times. A possibly more cautious approach by ultra HNWIs and a bias toward owning local stocks may also have restricted their wealth growth.

However, the Middle East region recorded higher ultra-HNWI population and wealth growth than the global average in 2019. The energy industry led an equity market surge in Q4 2019 with state-owned oil producer Saudi Aramco raising USD25.6 billion in a much-anticipated IPO that propelled the Saudi stock exchange into the top bourses globally.[11]

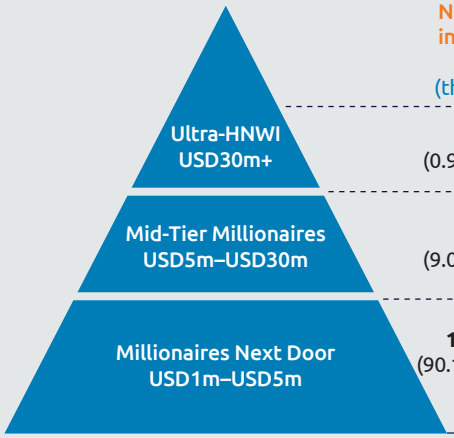
Compared with 2018, both HNWI wealth and population growth were more evenly distributed across all wealth bands in 2019. The ultra-HNWI segment was responsible for 32% of the global increase in HNWI wealth (USD5.9 trillion), whereas, in 2018, it accounted for 75% of global wealth decline. With restricted ultra-HNWI wealth growth – and with all wealth bands almost equally driving growth – is access to information and the speed of communication leveling the playing field for wealth growth?

In today's volatile times, complex global interdependencies – combined with increasing access to and speed of information – may drive unusual market growth trends

Investment based on market emotions: Despite economic stagnation in many markets, there was a surge in equity market investment in 2019 around the world, with improved market sentiments driven by favorable government measures in various countries.

Unprecedented global market scenarios: The size of the stock market relative to the size of the economy was at an all-time high in 2019. Overvalued markets and overvalued tech stocks in the United States

Figure 4. Global number of individuals per wealth band (2019) and growth (2018–2019)



	Number of individuals 2019 (thousands)	HNWI population		HNWI wealth		% of HNWI wealth 2019
		CAGR 2012–2018	Growth 2018–2019[a]	CAGR 2012–2018	Growth 2018–2019[a]	
Ultra-HNWI USD30m+	**183.4** (0.9% of total)	7.2%	9.1% (+12.9PP)	5.9%	8.2% (+14.5PP)	33.6%
Mid-Tier Millionaires USD5m–USD30m	**1,757.6** (9.0% of total)	7.1%	8.9% (+11.2PP)	7.1%	8.8% (+11.4PP)	22.6%
Millionaires Next Door USD1m–USD5m	**17,666.6** (90.1% of total)	7%	8.8% (+8.9PP)	7.1%	8.8% (+9.2PP)	43.8%

a. PP in parentheses denotes the change in growth percentage in 2018–2019 over 2017–2018.
Source: Capgemini Financial Services Analysis, 2020.

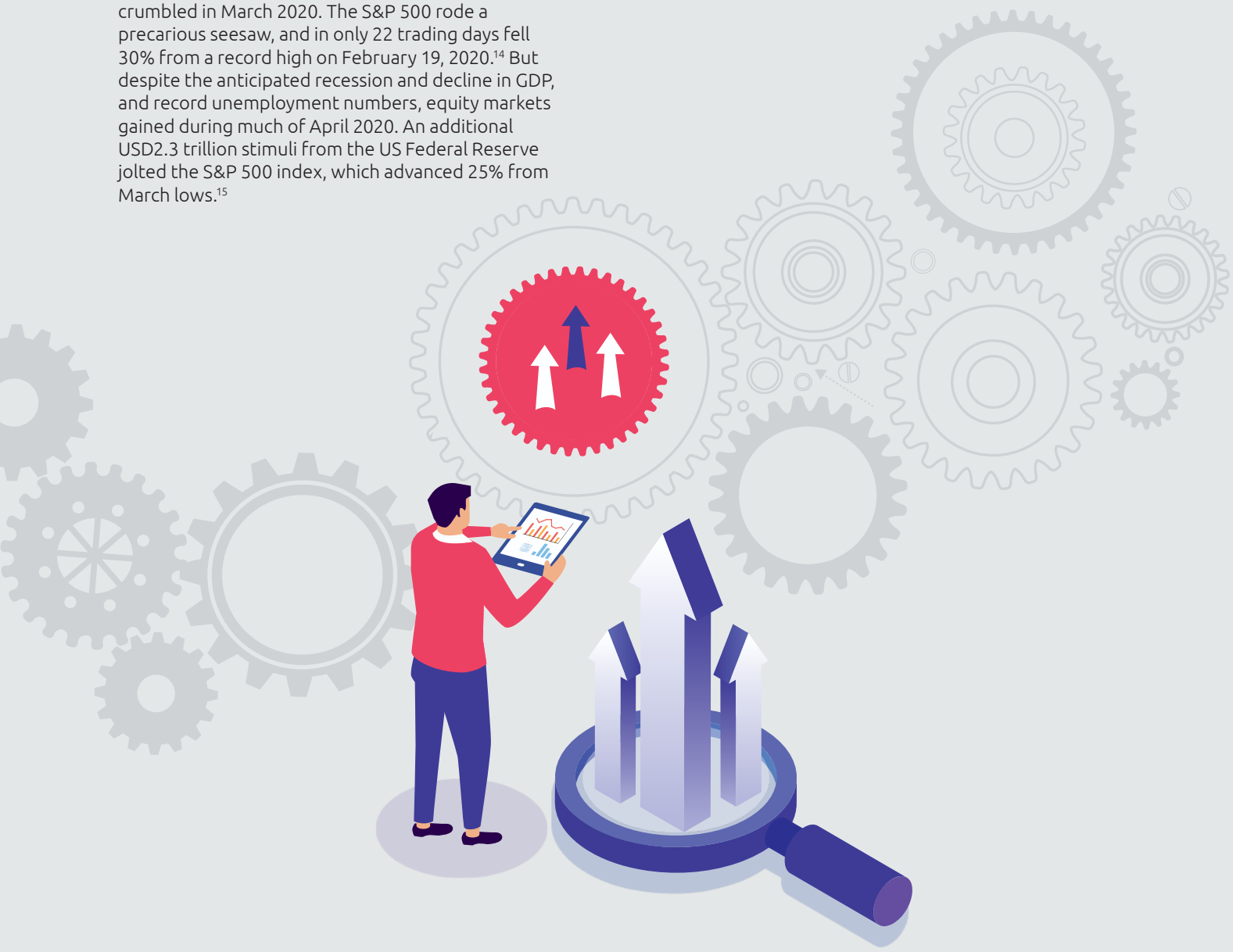
[11] Zawya, "Four IPOs raise $26bln in GCC in Q4 2019," February 18, 2020; https://www.zawya.com/mena/en/markets/story/Four_IPOs_raise_26bln_in_GCC_in_Q4_2019-SNG_167591980/.

and elsewhere helped to drive up HNWI wealth.[12] Throughout the year, both equities and bonds performed equally well, breaking the usual negative correlation between these asset classes.[13]

Dramatic movements in financial markets colored the first four months of 2020 as new coronavirus pandemic implications unfolded every day. Amid negative global GDP growth projections, markets crumbled in March 2020. The S&P 500 rode a precarious seesaw, and in only 22 trading days fell 30% from a record high on February 19, 2020.[14] But despite the anticipated recession and decline in GDP, and record unemployment numbers, equity markets gained during much of April 2020. An additional USD2.3 trillion stimuli from the US Federal Reserve jolted the S&P 500 index, which advanced 25% from March lows.[15]

The future is uncharted for markets and investors across the globe as individual investment patterns evolve in the wake of increasing information transparency, speed of worldwide communications, and complex geopolitical interdependencies.

Undoubtedly, 2020 will also be a year of unusual market growth trends.



[12] CCN, "Overvalued Stock Market Has a Major Pop Risk – And It Just Lit Up," January 16, 2020; https://www.ccn.com/overvalued-stock-market-has-a-major-pop-risk-and-it-just-lit-up/.
[13] CNBC, "In a rare occurrence, both stocks and bonds are having a great year," June 26, 2019; https://www.cnbc.com/2019/06/26/in-a-rare-occurrence-both-stock-and-bonds-are-having-a-great-year.html.
[14] CNBC, "This was the fastest 30% sell-off ever, exceeding the pace of declines during the Great Depression," March 23, 2020; https://www.cnbc.com/2020/03/23/this-was-the-fastest-30percent-stock-market-decline-ever.html.
[15] Financial Times, "Federal Reserve action boosts equity and credit markets," April 9, 2020; https://www.ft.com/content/b8c1b7f4-1380-4ce3-8c52-a040c3d3d878.

Hyper-personalize to meet client expectations and capture future growth segments

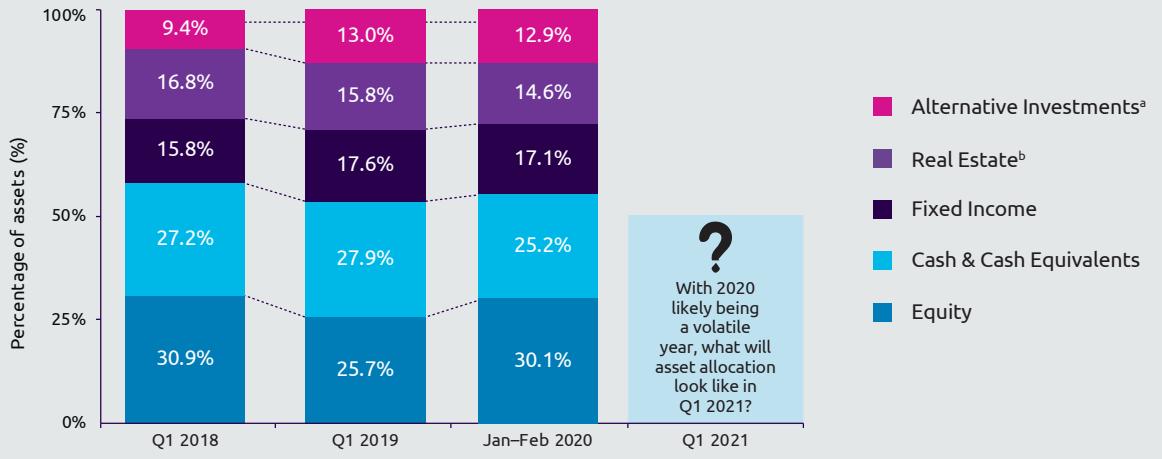
2020 volatility may drive asset adjustments as well as higher client expectations regarding value justification for advisory fees

Considering market volatility over the last 24 months, we believed an analysis of asset allocation trends spanning the previous three years was merited. The results revealed a link between robust global wealth and equity asset class dominance. However, after a year of wealth decline, investors shifted to safer assets such as cash and fixed income. In 2017, HNWI wealth grew 11%, and in Q1 2018, equities were the top asset class. Nevertheless, when wealth dipped 3% in 2018, clients immediately moved to cash/cash equivalents, making it the largest asset class in Q1 2019.

Stock markets were bullish in 2019 amid global economy inertia, and equity regained the top spot. Equities replaced cash and cash equivalents to become the most significant asset class in Jan–Feb 2020 to account for 30% of the global HNWI financial portfolio – up nearly four percentage points (pp) from Q1 2019 – while cash/cash equivalents slipped to the second position at 26%, down three pp from Q1 2019.[16]

	2017	2018	2019
Total wealth (USD trillion)	70.2	68.1	74.0
Wealth growth (%)	10.6%	(3.0%)	8.6%

Figure 5. Asset allocation, Q1 2018, Q1 2019, Jan–Feb 2020 (global)



a. Includes structured products, hedge funds, derivatives, foreign currency, commodities, private equity.
b. Excludes primary residence.
Note: The chart reflects HNWIs' asset allocation at the time we conducted the survey (between January and February 2020).
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, 2020; Capgemini Global HNW Insights Survey 2020.

[16] The 2020 Global High Net Worth Insights Survey was conducted during January–February 2020, and therefore HNWI responses may not reflect significant COVID-19 outbreak impact.

Within a portfolio that before now had typically been dominated by cash/cash equivalents, Japan exhibited the most exciting trend as equities became the most favored asset class for the first time since we started tracking it in 2010. Japanese HNWIs allocated 31% of their portfolio to equities (eight pp more than the previous year), the highest among all asset classes.

North America recorded the highest equity allocation at 39%, significantly higher than in other regions. As discussed earlier, robust equity markets and the financial stimulus helped to restore trust in equity assets.

As 2020 unfolds, and the unprecedented impact of COVID-19 continues to be tallied, it remains to be seen whether or not more asset-class allocation adjustments are on the 2021 horizon. We will continue to monitor this trend.

Fees also are under enormous pressure as gaps between HNWI expectations and reality widen amid economic volatility

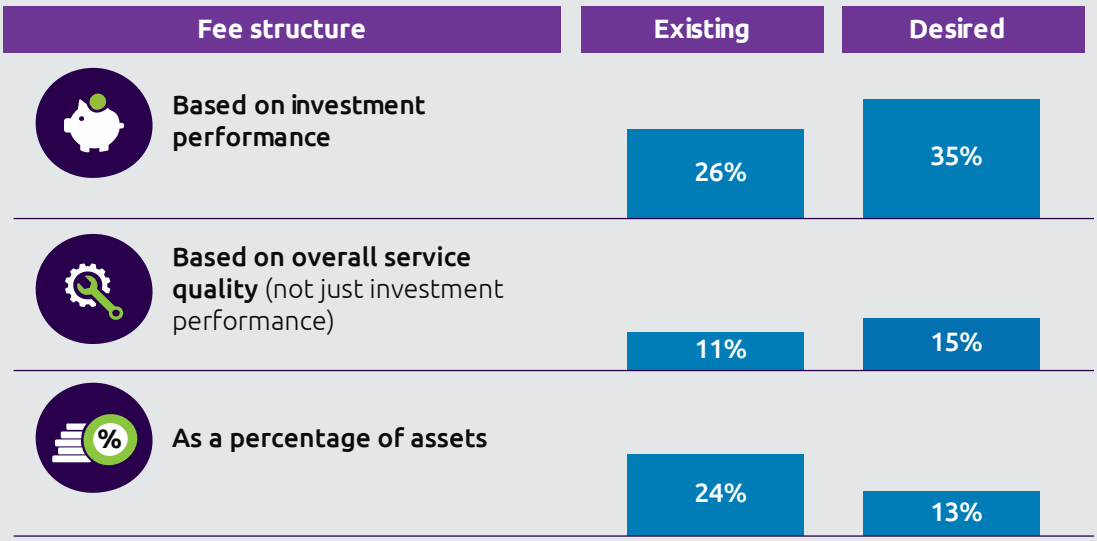
Around a third (33%) of HNWIs said they were uncomfortable with the fees their firms charged in 2019, as concerns and high expectations grew. This number is expected to increase further in 2020 due to volatile markets in the current pandemic scenario, and HNW clients continue to scrutinize fees. Comfort levels varied among age groups, with 24% of those under-40 uncomfortable with fees charged compared with 50% of HNWIs aged 60 or older. When asked to delineate their concerns about fees in 2019, HNWIs cited transparency (47%), performance (41%), and value received versus fees charged (39%).

And in terms of fee structure, HNWIs preferred performance- and service-based fees instead of an asset-based fee structure. This preference, when compared to the fee structures HNWIs actually receive today, reflects a further disconnect between what HNWIs expect and what they receive from their WM firms. More than a third (35%) of HNWIs said they would prefer a fee structure based on investment performance compared with a quarter (26%) of HNWIs whose fees are structured around performance already. This expectation will be fueled further during a potential decline period (the year 2020), as COVID-19 implications are revealed. Only 13% of HNWIs said they desired an asset-based fee structure while a much higher percentage (24%) is currently bound to asset-based fees.

The gap between existing and desired states for performance-based fee structures was highest among HNWIs aged 60 or above (22 pp) and millionaires next door (16 pp).

These critical expectation gaps merit consideration because HNWIs say they may switch firms as they are dissatisfied with fees perceived to be too high. In the next 12 months, 22% of HNW individuals say they plan to change their primary wealth management firm, with high fees being the top reason (for 42% of HNWIs who wish to switch firms). Interestingly, Latin America

Figure 6. HNWIs want a performance/service-based fee structure vs. asset-based fee structure, Jan–Feb 2020 (global)



Questions asked: "How do you currently pay your wealth manager for wealth-related services?" and "In an ideal world, how would you like to pay your wealth manager for wealth-related services?"

Source: Capgemini Financial Services Analysis, 2020; Capgemini Global HNW Insights Survey 2020.

and North America had the highest percentage of HNWIs, 55%, and 47%, respectively, citing high fees as their primary reason for switching firms.

Over the past few years, clients have been demanding more value delivered against the fees paid to firms, and in the increasingly volatile and uncertain environment that lies ahead, the voice for this demand will become louder.

As firms look to bolster revenues amid uncertainty, sustainable investing and value-added services are the way forward

The growing interest in sustainable investing offers firms a high-potential product opportunity.[17] With environmental risks becoming more and more prominent, it is not surprising that customers recognize the importance of sustainability, a concept that is increasingly impacting the wealth management industry.

Funds focused on socially responsible investing have been a rare bright spot in 2020 market activity – which offers a signal for sustainable investors and could serve as a proof point for how HNWIs can trust environmental, social, and governance (ESG) funds in turbulent markets.

In the first four months of 2020, investors poured more than USD12 billion into funds that invest in ESG practices, according to investment research platform Morningstar Direct – doubling the YoY amount that ESG funds attracted.[18]

We explore the sustainable investing trend further on page 15.

> *Increased demand for sustainable investing options is being driven by wealth transmission. Younger clients are very interested in sustainable investing."*
>
> **— Geoffroy Vermeire**
> *Member of the Management Board, Van Lanschot Kempen Wealth Management, Belgium*

> *Education is key. Working with individuals educationally provides a sustainable framework for long-term financial planning moving forward. This would be a key component of what responsible sustainable investing should be for the long term."*
>
> **— Joel Carpenter**
> *Director – Marketing, Asia, St. James's Place Wealth Management, Singapore*

Value-added services can also positively influence client experience. Our survey revealed that 43% of HNWIs globally believe additional services can positively impact their experience with the firm.

A more granular look into the trends across the extremes of age and wealth bands indicated that HNWIs younger than 40 and the ultra-HNWI segment were driving interest in value-added services. In fact, within both wealth bands, younger HNWIs also showed a significantly higher willingness to pay for value-added services.

The cross-section of ultra-HNWIs younger than 40 was the most bullish, with almost half interested in value-added services, and 80% of interested individuals also willing to pay for such services. High interest and willingness to pay makes it lucrative for firms to experiment with value-added services for this sub-segment.

A deeper dive into these segments revealed that the most sought value-added services among this cross-section of ultra HNWIs younger than 40 were:

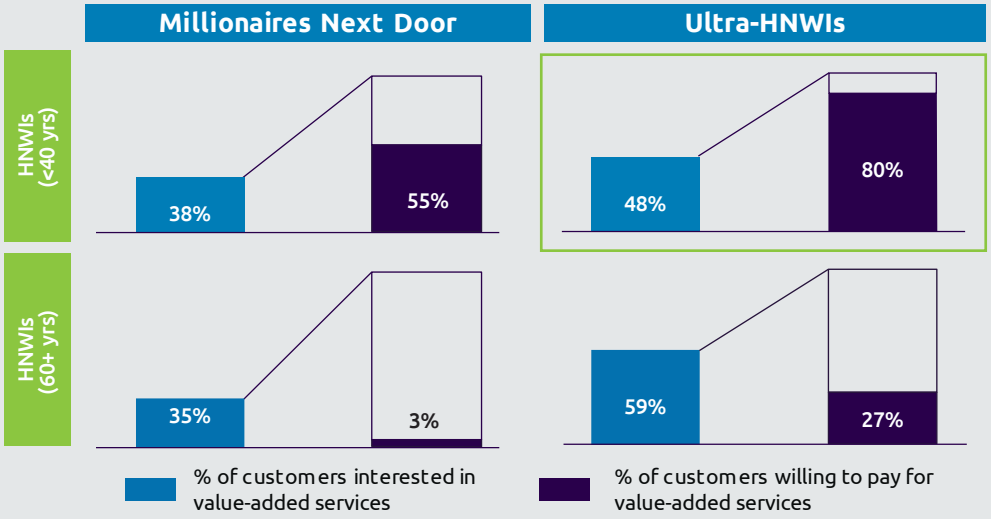
1. Real estate investment advice
2. Tax planning
3. Legal consultation
4. Inheritance advice
5. Services catering to investments of passion (e.g., art, wine, collectibles, luxury cars, yachts, etc.).

An excellent example of taking client experience to the next level with the help of value-added services is *HSBC Jade,* a unique service for those with complex needs and investible assets greater than USD1 million.

[17] Sustainable investing is an investment strategy of incorporating environmental, social, and governance (ESG) factors into the investment portfolio. HNWIs who invest sustainably prefer to invest in companies, corporations, and funds to generate financial returns along with measurable social and environmental impact.

[18] The Wall Street Journal, "ESG Investing Shines in Market Turmoil, With Help From Big Tech," May 12, 2020; https://www.wsj.com/articles/esg-investing-shines-in-market-turmoil-with-help-from-big-tech-11589275801.

Figure 7. Ultra-HNWIs under 40 are very interested and willing to pay for value-added services, Jan–Feb 2020 (global)



Questions asked: (1) "How important is it that your primary wealth management firm provides value-added services?; Respond based on this sliding scale: 1 = Not at all important, 4 = Neither important nor unimportant, 7 = Extremely important." The above values represent ratings of 6 and 7.

(2) "How willing would you be to pay additional fees for any value-added services offered by your wealth management firm?; Respond based on this sliding scale: 1 = Not at all willing and 7 = Extremely willing." The above values represent ratings of 6 and 7.

Source: Capgemini Financial Services Analysis, 2020; Capgemini Global HNW Insights Survey 2020.

Jade offers an exclusive combination of tailored relationship management, sophisticated wealth offerings, and premium lifestyle services to fulfill HNWI needs. The proposition targets clients that land between the high-end mass affluent and ultra-HNWI segments.[19]

Beyond addressing existing gaps, proactively catering to the unique needs of customers during transition points is critical to tap future growth segments

As HNWIs move across essential transition points in their life and financial journey, their future loyalty can be safeguarded by wealth firms that map out a life-stage investment strategy for them and effectively address their unique needs.

Critical life transition points include:

- **Young investors entering the HNWI segment:** Individuals just entering the HNWI segment through wealth creation or inheritance. Our survey revealed that 64% of HNWIs under 40 are considering or plan to consider investment returns as their primary source of income within the next five years. This segment can be expected to engage enthusiastically and represents robust future revenue potential for firms. However, less than half of these clients are satisfied with how firms currently meet their unique needs: inheritance management (45%), education about investment management (40%), and financial advice at critical life stages (40%).

- **Older investors planning to transfer wealth:** Another segment in transition is older HNWIs planning to pass their wealth on to others. With increasing life expectancy, this segment will also maintain a prolonged relationship with their firms, and they also provide a crucial touchpoint for firms to engage with the next generation of clients. However, here too, lower satisfaction often results when firms lag in addressing the segment's unique needs: robust retirement planning (46%), assistance with new digital tools (34%), and trust/estate management (32%).

  Firms still lag behind in their pursuit to capture wealth transfer opportunities, with only 33% of the respondents to our wealth management executive survey saying their firm had successfully implemented a strategy to maximize wealth-transfer opportunities. 31% are struggling to implement their strategy, and 36% of the firms are yet to create a strategy.

- **Mass-affluent segment:** Finally, the third segment in transition includes the potential future

[19] Hubbis, "Murli Adury: Why HSBC Jade's Special Qualities are Ideal for Asia's HNWIs," Murli Adury, June 11, 2019; https://hubbis.com/article/murli-adury-why-hsbc-jade-s-special-qualities-are-ideal-for-asia-s-hnwis.

HNWIs want sustainable investing (SI) options

Younger ultra-HNWIs are SI enthusiasts

27% of overall HNWIs express interest in SI products

HNWIs in Asia-Pacific (excl. Japan) and Latin America are most drawn to SI products

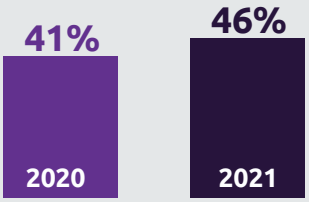
17% Millionaires Next Door VS 40% Ultra-HNWIs

41% of HNWIs <40 yrs. VS 16% of HNWIs 60+ yrs.

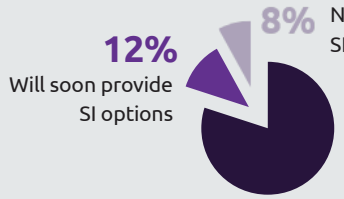
Wealth managers can tap a cross-section of younger ultra-HNWIs because nearly half (49%) say they are interested in SI products.

HNWIs will commit more assets to sustainable investing – and WM firms are ready

HNWIs plan to allocate **41%** of their portfolio to SI products by the end of 2020, and **46%** by the end of 2021



Wealth management firms are well prepared to meet the demand



BlackRock recently introduced a Global Impact Fund that enables investors to direct capital to businesses dedicated to solving major world problems.[1]

HNWIs appreciate SI investment for social/environmental impact, but also recognize financial value

Higher returns and lower risk drive HNWI interest in SI products

- 39% Higher returns from sustainable investment products
- 33% Sustainable investments seem sound, less speculative
- 29% I now understand ESG funds better than previously
- 27% Better sustainable investment offerings from firms
- 26% I want to give back to society

As HNWIs demand SI products devoted to environmental risks, firms play catch up

HNWI clients favor SI products focused on environmental risks and climate change, followed by ethical and effective corporate governance systems. However, there is a slight mismatch in firms' perception of HNWI priorities.

	HNWIs' focus-area priority	Firms' perception of HNWI focus-area priority
Effectively managing environmental risks	55%	43%
Addressing climate change, reducing carbon footprint	55%	45%
Effective and ethical corporate governance systems	54%	63%
Socially conscious business policies and practices	52%	55%

Investors who implemented ESG equity strategies in 2020 beat broader benchmarks, which boosted HNWI faith in SI. Since the beginning of last year, UBS's 100% sustainable investment portfolio in Asia more than doubled its assets to USD1 billion and demand has been up since the COVID-19 outbreak. Growing SI popularity is fueling expectations that favorable policies toward companies doing social and environmental good will continue to attract investments long after the pandemic.[2,3]

[1] International Investment, "BlackRock launches sustainable investing-focused Global Impact fund," April 16, 2020; https://www.internationalinvestment.net/news/4014013/blackrock-launches-sustainable-investing-focused-global-impact-fund.

[2] Bloomberg, "ESG Stock Resilience Is Paving the Way for a Surge in Popularity," Claire Ballentine, March 31, 2020; https://www.bloomberg.com/news/articles/2020-03-31/esg-stock-resilance-is-paving-the-way-for-a-surge-in-popularity.

[3] Bloomberg, "Virus Boosts Rich Asian Interest in Sustainable Investing Trend," Alfred Liu, April 3, 2020; https://www.bloomberg.com/news/articles/2020-04-02/virus-boosts-rich-asian-interest-in-sustainable-investing-trend.

HNWIs, many of whom are being targeted by new digital players. Incumbent firms may find it challenging to capture this segment once they start their HNWI journey as digital natives.

Interestingly, only a third of the executive survey respondents said their firm offers tailored solutions for this segment. However, 55% of respondents also said that although they are not catering to the mass-affluent segment now, they plan to soon.

With HNWI segments displaying unique preferences and financial goals, especially at key transition points, addressing these needs will be critical, especially during today's uncertain environment exacerbated by the public health crisis. Technology-driven hyper-personalization is an approach firms can employ to fulfill these urgent requirements.

> *Acing the client experience is also about delivering great investment management capabilities through a broader lens by addressing a wider array of needs and services that clients require."*
>
> **— Kerry Ryan**
> *Director, Global Go to Market Lead, Wealth & Asset Management, Salesforce, US*

Hyper-personalized offerings can address varied HNWI expectations and lock in firms' future growth during uncertainty

Technologies such as artificial intelligence (AI) and analytics can help firms enhance CX by providing personalized solutions and services in diverse areas:

- **Bespoke risk profiles:** Organizations can leverage advancements in behavioral sciences and sentiment analysis to interpret clients' risk profiles at a more granular level rather than being limited to five or six predefined profiles for the entire client base.
- **Personalized portfolio construction and tailored advice:** Using data analytics and machine learning to assess the investor's trading history and risk profile, firms can create customized portfolios so clients can achieve their specific financial goals.

  They can also leverage technology to analyze client behavior and provide advice tailored to their individual context. Charles Schwab's Project Bear program uses AI to scan its client base to find investors who may potentially react to market volatility and stop them from possibly making poor investment decisions.[20]
- **Customized client reporting:** Instead of using different dashboards to track a single client's portfolio of investments, organizations are creating a comprehensive view of the client's investments with the help of APIs and delivering insights using multiple data sources to serve clients in a more personalized manner.

  As an example, Addepar, a wealth management platform, with the use of data analytics, provides personalized portfolio aggregation and reporting for registered investment providers to serve their clients.[21]

One size does not fit all. In an increasingly volatile environment that is rewriting the rules of interaction and success, hyper-personalization can enhance the client experience through data-driven advice and reporting.

> *Successful client engagements are now defined by knowing everything about your client — from their family to their business — a full 360-degree view that can be used to guide and coach as part of service offerings."*
>
> **— Andy Wang**
> *Global Head of Wealth & Asset Management, Salesforce, US*

[20] Fortune, "Schwab's 'Project Bear' Uses A.I. to Predict When Investors Are Getting Nervous – And Warn Them Against Making Bad Decisions," Chris Taylor, July 10, 2019; https://fortune.com/2019/07/09/schwab-uses-a-i-to-predict-nervous-investors/.

[21] Addepar, https://www.addepar.com/, accessed April 2020.

UOB Private Bank prepares the next generation of Asia's business heirs for success

Singapore-based United Overseas Bank (UOB) offers a wide range of financial services, including consumer banking, wealth management, private banking, and commercial and corporate banking. Founded in 1935, UOB is a leading bank in Asia with a global network of more than 500 branches and offices spanning 19 countries and territories across Asia-Pacific, Europe, and North America.

Business objective: The great wealth transfer from Baby Boomers to their children is underway, with nearly USD9 trillion expected to change hands over the next two decades. In Asia alone, high-net-worth individuals (HNWIs) with assets of USD5 million or more will pass on as much as USD2 trillion to their next-generation heirs.[22] However, wealth transfers present challenges and opportunities for wealth management firms. For instance, millennial clients may have very different advisory and service expections from their parents. This is borne out in research that shows close to 30% of the children of HNWIs leave their parents' wealth manager.[23]

UOB Private Bank is bucking this trend. Given the increase in intergenerational wealth transfer in the region, the Bank recognized the need to engage its clients and their children to prepare the next generation for success as they take on future responsibilities and leadership roles in family businesses.

Strategic implementation: UOB Private Bank created the Next-Generation Programme to bring together younger HNWIs to network and to exchange ideas with their peers, and to learn from leading technology companies around the world on how to tap digital trends to prepare their family businesses for the future. The initiative offers an environment for participants to nurture their ideas as they prepare to take over the reins of their family businesses in time to come.

The three-part program includes leadership and technology modules, as well as an internship. The leadership module equips participants with management and financial skills such as how to make sound investment and business decisions. The technology module introduces participants to emerging technologies likely to impact their businesses and prepares them to better navigate technology disruption. Finally, participants complete an internship at a FinTech startup or technology firm through the Bank's ecosystem partners such as The FinLab, an innovation accelerator, or equity-crowdfunding platform OurCrowd.

Benefits/results: The UOB Private Bank Next-Generation Programme prepares the participants for success as future leaders of their family businesses. This initiative provides them a platform to foster friendships and to tap the insights and thinking of captains from various industries. The practical training and networking opportunities offered by the Next-Generation Progamme was instrumental to UOB Private Bank being named Best Private Bank for Millennials by The Banker in 2019. UOB is the first Asian bank to win the award.

Sources: Capgemini Financial Services Analysis, 2020; World Wealth Report 2020 Executive Interviews.

[22] Markets Insider, "More Than $15 Trillion in Global Wealth to be Transferred by 2030," June 26, 2019; https://markets.businessinsider.com/news/stocks/more-than-15-trillion-in-global-wealth-to-be-transferred-by-2030-1028310838.

[23] GlobeNewswire, "Intergenerational Wealth Transfer: Seizing the HNW Opportunity," October 22, 2019; https://www.globenewswire.com/news-release/2019/10/22/1933386/0/en/Intergenerational-Wealth-Transfer-Seizing-the-HNW-Opportunity.html.

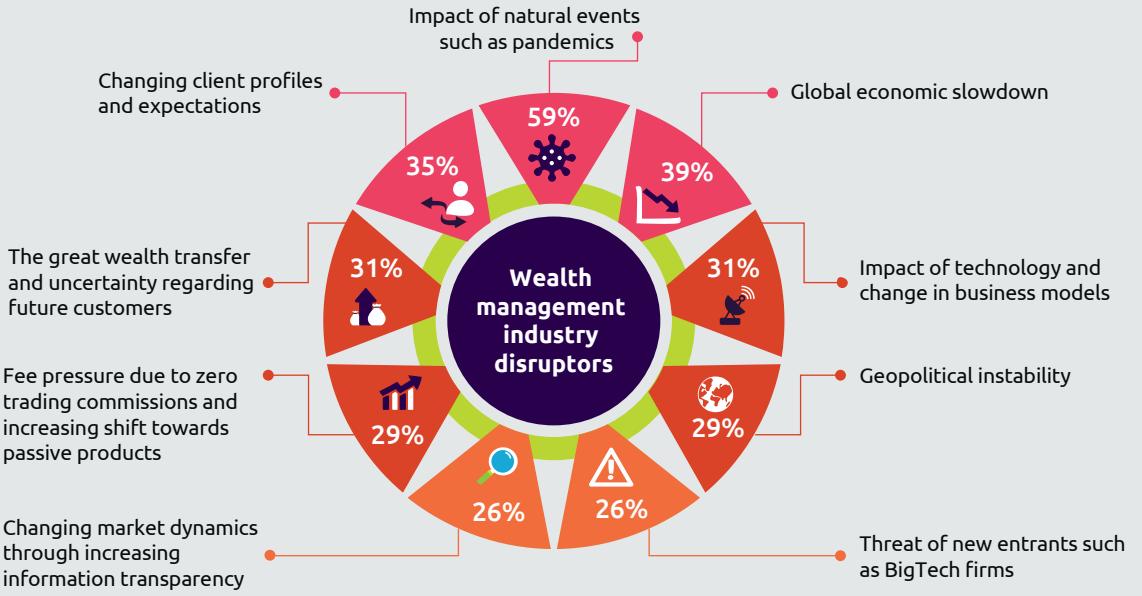
Strategy for uncertain times

Safeguard profits with a focus on critical touchpoints and operating model optimization

In the eye of a perfect storm

The wealth management industry is in the midst of a high-pressure tempest as economic forces, competition from new entrants, and client expectations mount. Our global survey of wealth management executives revealed that natural events – such as floods and pandemics – are considered the number-one industry disruptor, with almost 60% rating it as high impact. Potential competition from BigTechs did not rank among the top disruptors though this may be an area that requires more considerable attention.[24]

Figure 8. The wealth management industry faces disruption on multiple fronts, Mar–Apr 2020 (global)



Question asked: "How much will the following factors impact wealth management firms in 2020?; Please rate on a scale of 1–7, where 1= minimal impact, and 7= very high impact." The above values represent ratings of 6 and 7.

Source: Capgemini Financial Services Analysis, 2020; World Wealth Report 2020 Executive Interviews.

[24] BigTechs are large, data-driven technology firms such as Amazon, Apple, Facebook, Google, Alibaba, etc.

After robust market performance in 2019, the new decade began on a promising note. Within months, however, COVID-19 had leveled unprecedented uncertainty. The urgent health crisis and collective concern over the high social toll became the focus of individuals as well as businesses.

The cascading economic impact of the pandemic quickly became glaring, with enterprises shuttering and unemployment soaring. Global financial markets suffered knock-out blows in the first quarter, with many indexes dropping by more than 20% and oil prices hitting negative territory.[25] Tech stocks may have driven the market in 2019, but by early March 2020, the novel coronavirus had decimated nearly USD460 billion of BigTech market cap.[26]

As markets slowly revive, powerful business lessons remain etched in our shared experience:

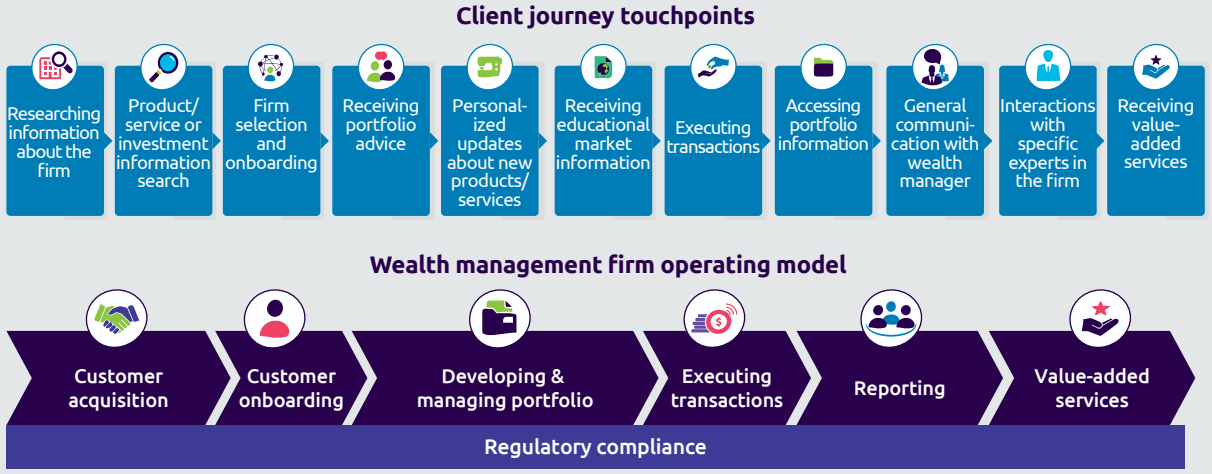
- The nature of disruption rarely allows sufficient time for strategic reaction.
- Therefore, digital capabilities have become central to business continuity.
- The ability to scale up or down quickly is a crucial skill.
- Physical assets can sometimes be a liability – look what happened to oil![27]

The takeaway for wealth management executives? Business models that empower their firm's resilience and agility to prioritize the client journey are critical to achieving operational and profit goals.

Enter the 80–20 principle, in which 80% of all outcomes are determined by 20% of all inputs.[28] **We applied the principle to both the wealth management client journey and to the firm operating model to identify high-impact areas for customer experience (CX) and firm profits**.

The takeaway? Instead of trying to do the nearly impossible, recognize the firm's most important goals, and then align high-impact client touchpoints with those objectives. Once firm executives pinpoint the most critical 20% of the value chain, they can focus on building capabilities that boost client engagement in the aligned touchpoints and explore ways to reduce costs in lower-impact areas. Particularly within today's uncertain environment, astute prioritization can maximize overall benefits to the firm and positively affect revenues.

Figure 9. Wealth management client journey and firm operating model



Source: Capgemini Financial Services Analysis, 2020.

[25] BBC, "Coronavirus: Stock markets suffer worst quarter since 1987," March 31, 2020; https://www.bbc.com/news/business-52113841.

[26] CB Insights, "The Covid-19 Outbreak Has Erased Nearly $460B Of Big Tech's Market Cap," March 10, 2020; https://www.cbinsights.com/research/coronavirus-facebook-apple-microsoft-google-amazon-impact/.

[27] The New York Times, "What the Negative Price of Oil Is Telling Us," Neil Irwin, April 21, 2020; https://www.nytimes.com/2020/04/21/upshot/negative-oil-price.html.

[28] Investopedia, "80–20 Rule," February 19, 2020; https://www.investopedia.com/terms/1/80-20-rule.asp.

The past few years have seen tremendous changes in beliefs (globalization, international cooperation), in jurisdictions perceived to be safe and predictable (US, UK) and in the role of technology in our lives. More recently, the global pandemic drove division (social distancing) and unity. As the crisis subsides, we will have to consider to what extent these developments should shape where we invest, where we locate assets, and how I should engage with my advisors, balancing digital interaction and face-to-face solutions."

— Alexis Calla

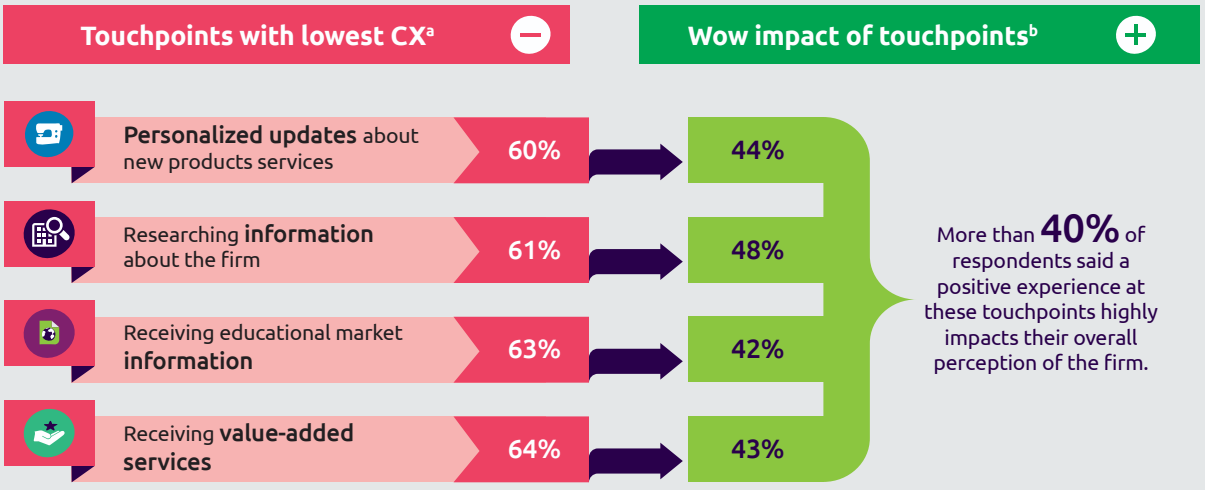
Chief Investment Officer, Private Banking & Wealth Management, Standard Chartered Bank, Singapore

Wealth management Achilles' heel: A lack of personalized information and services along the client journey

In today's *fear-of-missing-out* information age, data is a lifeline for businesses and individuals. The ubiquity of e-commerce has sparked research-intensive consumer behavior when it comes to purchases or significant decisions. With the novel coronavirus as a backdrop, investors are similarly keen to access their account information quickly to gain assurance about their assets.

Our survey of high-net-worth individuals, conducted just before the pandemic stoked worldwide fear in mid-March 2020, revealed that investors are least satisfied at touchpoints related to personalized information or services from their firm. More than 60% of HNWIs reported unsatisfactory experience during their attempts to research information

Figure 10. Firms are missing an opportunity to wow HNWIs in personalized information/ services, Jan–Feb 2020 (global)



a. Percentages in the chart represent HNWIs who are not satisfied with their experience at the touchpoint.

b. Percentages in the chart represent HNWIs for whom a good experience at the touchpoint will strongly improve overall firm perception.

Questions asked: (1) "For each of these interactions (touchpoints) with your primary wealth management firm, rate your satisfaction with the service provided. Please use this sliding scale: 1 = Not at all satisfied, 7 = Extremely satisfied." The above values represent ratings 1–5.

(2) "To what extent will the quality of experience at each of the following interactions (touchpoints) impact your overall perception of your primary wealth management firm?" The above values represent percentage of HNWIs who chose the option "A good experience at this interaction will drastically improve overall firm perception."

Sources: Capgemini Financial Services Analysis, 2020; Capgemini Global HNW Insights Survey 2020.

about a firm, regarding personalized updates about new wealth offerings, when receiving educational market information, and regarding value-added services. Given the current uncertainty, we expect the experience and satisfaction levels to have dropped further since our survey.

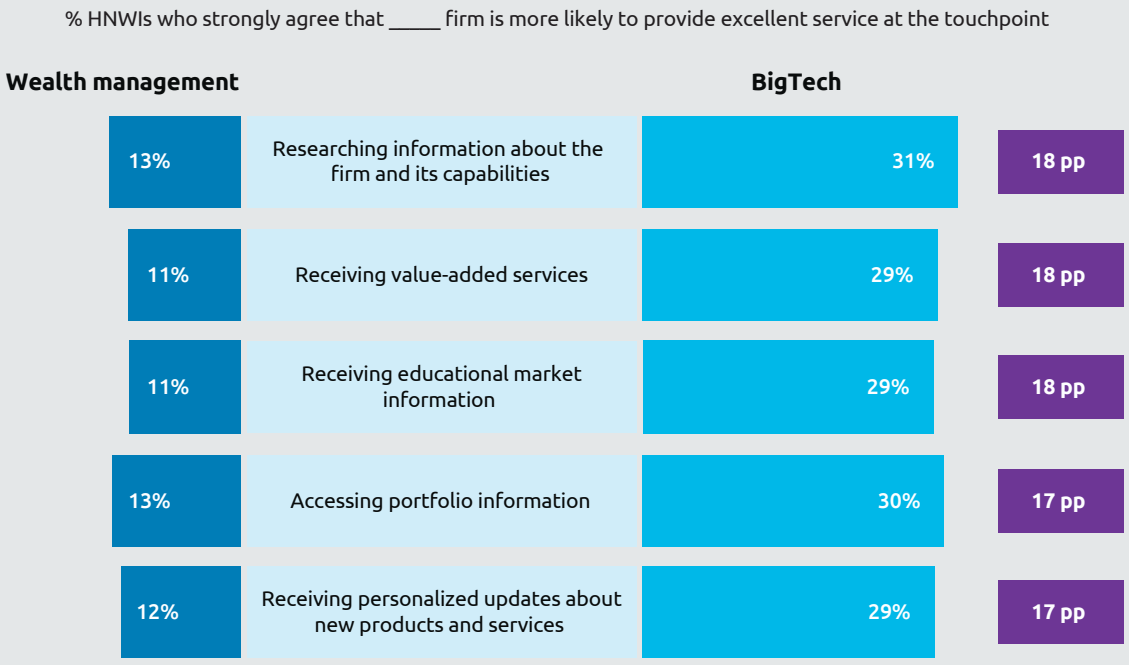
HNWIs aged 50–59 were the most dissatisfied with their experience at touchpoints related to information access and value-added services. In terms of regions, the lack of satisfaction was most pronounced among HNWIs in Europe (more than 65%) and Japan (more than 80%). We believe dissatisfaction may intensify during the pandemic crisis as demand for digital services mounts.

While less-than-stellar CX at these touchpoints does not characterize core wealth management services, it represents a missed opportunity to wow clients. More than 40% of the HNWIs we interviewed say good experiences at these touchpoints profoundly affect their overall impression of a firm, and this percentage may go up as a result of COVID-19 impact. The proportion was higher (i.e., around 50%) for HNWIs younger than 40 for whom these touchpoints generate the highest wow factor.

Including top-notch client experience as part of the delivery of personalized information/services is crucial for wealth management firms because these touchpoints are the most vulnerable to BigTech encroachment.

HNWIs expect BigTechs to deliver personalized information or services better than incumbent firms. The top five touchpoints in which HNWIs believe BigTechs can outperform incumbent firms relate to information access or value-added services.

Figure 11. HNWIs believe BigTechs outpace incumbent wealth management firms in wow-ability, Jan–Feb 2020 (global)



Note: pp denotes how much higher is the percentage of HNWIs who rate BigTechs as more likely to provide excellent service.

Question asked: "For each of the following interactions, which institution – your wealth management firm or a BigTech firm – do you think is more likely to provide an excellent service?; Please use this sliding scale: 1 = My wealth management firm is more likely to provide an excellent service, 7 = A BigTech firm is more likely to provide an excellent service." Ratings 1 and 2 represent HNWIs who strongly agree that their wealth management firm is more likely to provide excellent service, while ratings 6 and 7 represent HNWIs who feel so about BigTech firms.

Source: Capgemini Financial Services Analysis, 2020; Capgemini Global HNW Insights Survey 2020.

This is not surprising, when you consider that more and more digitally savvy HNWIs seek and prefer to receive information via online channels. Self-service through website emerged as the top channel of preference for HNWIs when it came to firm or product research, receiving updates, and executing transactions.

BigTechs lead in personalized online/mobile CX thanks to technology advances

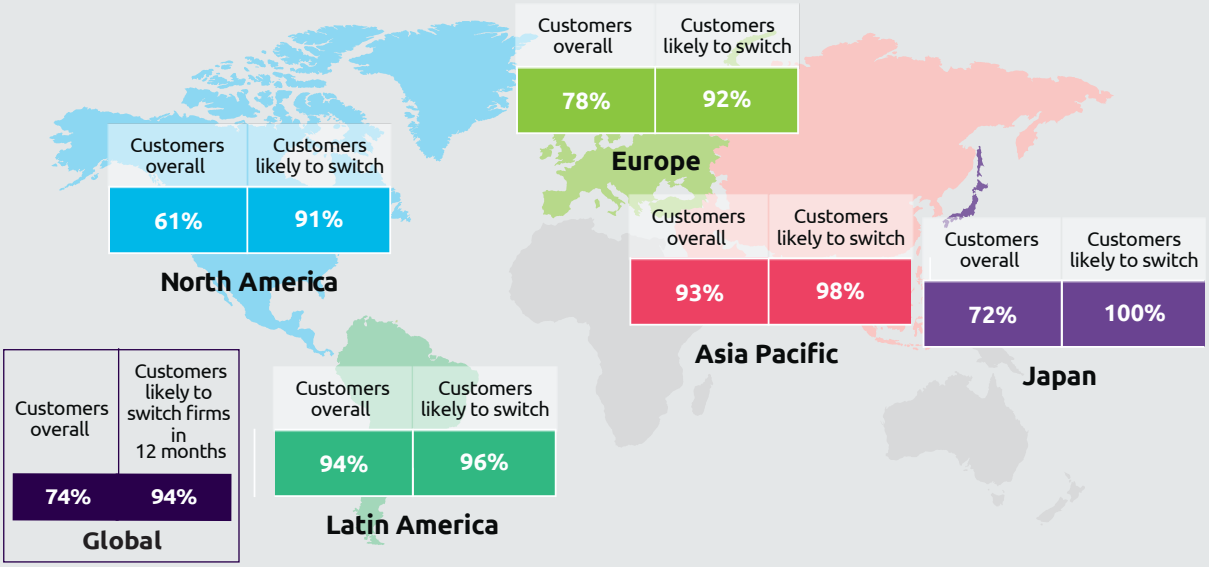
Alibaba's online and mobile shopping website Taobao has evolved its push notifications from general, to targeted, to personalized to enhance CX by reducing unnecessary notifications and boosting message content specificity.[29]

In addition to automated suggestions and a personalized homepage, Amazon's website showcases top lists such as Bestsellers, Hot New Releases, Movers and Shakers, Most Wished For, and Most Gifted, to make customers' research and decision-making process easy.[30]

HNWIs' warm and fuzzy perception of BigTechs is especially concern-inducing when reflected in tandem with their openness to wealth management offerings from BigTech firms . While 74% of HNWIs said they are willing to consider BigTech wealth management offerings, the number jumps to 94% among those who say they may switch their primary wealth management firm in the next 12 months.

HNWIs in Latin America and Asia-Pacific (excl. Japan) expressed the highest likelihood to adopt wealth management offerings from BigTechs. In Japan and North America, the interest in adopting BigTech offerings increases dramatically for HNWIs who are likely to switch firms in 12 months.[31] In terms of age groups, HNWIs younger than 40 are most inclined, with nearly 90% saying they are willing to adopt offerings from BigTech firms.

Figure 12. HNWIs are very open to adopting wealth management offerings from BigTech firms, by region (%), Jan–Feb 2020



Note: Questions related to BigTech perceptions were posed only to those respondents who said they were familiar with BigTech services (64% of overall global HNWI survey participants)

Question asked: "If technology firms such as Google, Apple, Facebook, Amazon, Alibaba, or Tencent were to offer wealth management services, would you consider becoming a client? (Yes/No)"

Source: Capgemini Financial Services Analysis, 2020; Capgemini Global HNW Insights Survey 2020.

[29] Alibaba Cloud, "Push Notifications Evolved: Taobao Knows You Better Than You Know Yourself," November 8, 2019; https://www.alibabacloud.com/blog/push-notifications-evolved-taobao-knows-you-better-than-you-know-yourself_595527.

[30] MerchantWords, "How Sellers Can Leverage Amazon's Approach to Personalization," October 25, 2018; https://www.merchantwords.com/blog/amazon-disruption-shopping-personalization.

[31] Of HNWIs familiar with BigTech services, more than 8% in Japan and more than 26% in North America are likely to switch their wealth management firm.

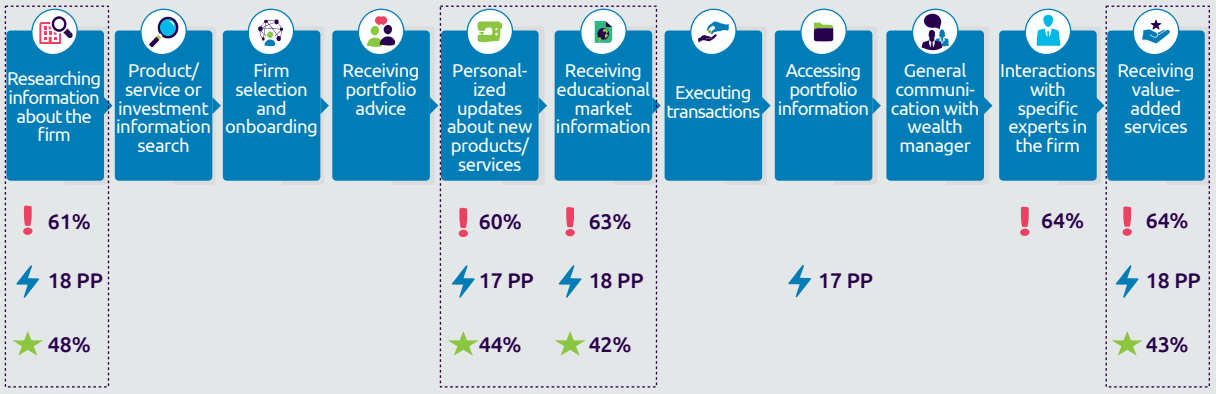
> *Customers have come to expect a hyper-personalized experience based on their interactions with BigTech firms. Even with marketing communications, Amazon's suggestions aren't perceived as aggressive marketing practices, since they're so intelligent and close to our needs."*
>
> **— Francesco Bracchi**
> *Deputy Chief Operating Officer, Banca Profilo, Italy*

> *Big Techs have clearly taken a step ahead in terms of the ability to collect customer data, analyze it using algorithms and AI, and use it to personalize services and product offers. It will be important for wealth management firms to enhance their data processing and personalization technologies as quickly as possible."*
>
> **— Pierre Dulon**
> *CEO, Azqore, Switzerland*

As BigTechs gain financial services ground, wealth management firms will have little choice but to enhance digital customer engagement – quickly.

In a side-by-side look at our analyses of touchpoints that evoked the least HNWI satisfaction and those most vulnerable to BigTech encroachment, three stages of the client journey emerge as areas of focus for firms: **acquisition, advisory, and value-added services.**

Figure 13. Touchpoints where wealth management firms can boost the wow factor, and hedge against BigTech incursion



Touchpoints with least client satisfaction
% denotes HNWIs not satisfied with their firm's service at the touchpoint

Touchpoints most vulnerable to BigTech
PP denotes how much higher is the percentage of HNWIs who rate BigTechs as more likely to provide excellent service

Wow impact
% denotes HNWIs for whom a good experience at the touchpoint will strongly improve overall firm perception

Source: Capgemini Financial Services Analysis, 2020; Capgemini Global HNW Insights Survey 2020.

In a post-COVID-19 world, virtual and interactive client communications are more relevant

Over the last few years, client reporting in wealth management has evolved beyond meeting standard regulatory and compliance measures. Firms seek to meet expectations through enhanced engagement while also deploying innovative means to wow customers through interactive and sophisticated solutions.

Interactive reports: Several firms are working to develop interactive reports that allow clients to view complex portfolios through a digital reporting platform on multiple devices. Customers can create, manage, and configure their reports, and all customer activities can be recorded and evaluated by their wealth managers. BNP Paribas Securities Services provides interactive and dynamic reporting to clients through its data visualization tool DNA. Clients can access reports on portfolio performance, performance attribution analysis, Environmental, Social and Corporate Governance Risk Analytics (ESGRA), etc., in the format, frequency, and device they require.[32]

Gamification and visualization: Gamification-driven simulation of portfolio strategies with real data across multiple portfolios can help customers visualize various *what-if* scenarios and provide them better clarity to understand the impact of each of their investment strategies on their portfolio. HSBC's Wealth Portfolio Intelligence Service is a powerful tool, powered by BlackRock's Aladdin Wealth platform, that delivers enhanced portfolio analysis, portfolio construction, and risk management capabilities for high-net-worth clients.[33]

Holistic view through wealth consolidation and insights: WealthTech firms are innovating account aggregation solutions that give HNWIs a more holistic view of their assets across all their accounts. Credit Suisse partnered with Canopy to offer a new customer experience. Canopy aggregates the complete customer account data and allows Credit Suisse clients to share it with their Relationship Manager for more informed investment advice.[34]

However, wealth firms are playing catch-up compared with CX from other industries

- Mercedes tossed out the bulky car owner's manual and launched the Mercedes Me app, which uses AR to showcase vehicle features without a manual and allows drivers to see data about their vehicle, remote parking assistance, and more from anywhere in the world.[35]
- The oldest department store in Paris, Le Bon Marché, is reinventing shopping. They inaugurated the *Geek Mais Chic* exhibition. Eighty international brand manufacturers of fashion, beauty, and lifestyle products incorporated both AR and VR technologies and offered visitors the opportunity of interacting with the brands from their portfolio in an unprecedented way. In particular, Dior exhibited skin scanners that precisely analyze each person's skin to recommend facial care products suited to specific needs.[36]
- Disney's Genie app makes holiday planning easier and more fun with customized itineraries geared to customer interests. Disney property visitors indicate what they want to experience, and the app quickly evaluates millions of options. Genie also sends real-time tips and updates, including recommendations for experiences the customer might love, helping them navigate the theme parks with added convenience and comfort.[37]

With the help of emerging technologies, firms can transform how clients consume investment and fund-related information by moving away from static offline interaction toward more interactive, multichannel engagement.

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[32] BNP Paribas, "Investment Analytics," https://securities.bnpparibas.com/solutions/invest-analytics.html, accessed April 2020.

[33] HSBC, "Wealth Portfolio Intelligence Service," https://www.hsbc.com.hk/wealth-management/wealth-portfolio-intelligence/, accessed May 2020.

[34] Canopy, "Canopy via Credit Suisse," https://canopy.cloud/creditsuisse.html, accessed May 2020.

[35] Mercedes-Benz, "Mercedes Me," https://www.mercedes-benz.com/en/mercedes-me/, accessed May 2020.

[36] LVMH, ""Geek mais chic", the shopping 3.0 experience at Le Bon Marché," February 27, 2019, https://www.lvmh.com/news-documents/news/geek-mais-chic-the-shopping-3-0-experience-at-le-bon-marche/.

[37] DisneyParks Blog, "Revolutionary New Digital Offering, 'Disney Genie,' Coming to Walt Disney World Resort," Avery Maehrer, August 25, 2019, https://disneyparks.disney.go.com/blog/2019/08/revolutionary-new-digital-offering-disney-genie-coming-to-walt-disney-world-resort/.

Technology can enhance client engagement and distribution channels to boost growth, revenue opportunities

When it comes to firm operations, specific segments of the value chain face high margin pressure while in others, new technologies enhance profitability potential. Therefore, it makes strategic sense for wealth management firms to assess the areas in which margin pressure is squeezing the bottom line hardest and to urgently review related cost structures.

Wealth management firms face margin pressure on a variety of fronts.

- **Regulatory compliance costs** from MiFID II, GDPR, AML, etc., drive spending on data governance and reporting while encouraging unbundled fees.
- **Technology enhancements** for competitive innovation, regulatory compliance, and cybersecurity.
- **High client acquisition costs** – a survey of more than 800 financial advisors found that the average cost for a financial advisor to acquire a new client is USD3,119.[38]
- **Pricey onboarding costs** due to increasing compliance requirements and inefficient processes.

> *Among the challenges firms will face are prospecting under GDPR constraints and increased administrative workload for onboarding to meet compliance requirements."*
>
> **— Yves Van Laecke**
> *Director, Private Banking, Bank Nagelmackers, Belgium*

> *Client experience is the new battleground for wealth managers – yet for many firms, HNW client onboarding is a highly arduous, costly process. The primary factors are increasing cross-border compliance obligations, lack of system integration, and a continued reliance on manual and labor-intensive processes."*
>
> **— Greg Watson**
> *Head of APAC Sales, Fenergo, UK*

- **Requirements to de-link investment research costs from overall service fees** are being by driven by the EU's MiFID II, which could lead to firms absorbing the cost of market research.[39]
- **Zero-fee trading commissions** for equities as well as a growing trend toward **lower-margin passive-investing products** could affect margins.

On the other hand, emerging technologies such as AI, analytics, and automation are enabling firms to enhance revenues through better client engagement and distribution channels and to reduce cost by streamlining processes.

Emerging technologies are especially pivotal to growth potential in the areas of client acquisition, advisory, and value-added services.

Client acquisition – AI and analytics can be used for value-based segmentation and to engage more personally with clients in alignment with their unique investment objectives and behavior. Advanced segmentation and targeted marketing can lead to more successful lead generation and client acquisition strategies. Morgan Stanley's AI-based next-best-action tool helps wealth managers identify opportunities to connect with clients and recommend appropriate solutions.[40]

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[38] Kitces.com, "The Most Efficient Financial Advisor Marketing Strategies And The True Cost To Acquire A Client," Michael Kitces, February 10, 2020; https://www.kitces.com/blog/client-acquisition-cost-financial-advisor-marketing-efficiency-lifetime-client-value-lead-generation-satisfaction/.

[39] CFA Institute, "MIFID ll: A New Paradigm for Investment Research," November 20, 2017; https://www.cfainstitute.org/-/media/documents/support/advocacy/mifid_ii_new-paradigm-for-research-report.ashx.

[40] OnWallStreet, "Morgan Stanley plays the long game on AI," Jessica Mathews, July 12, 2018; https://onwallstreet.financial-planning.com/news/morgan-stanley-plays-the-long-game-on-ai.

Beyond acquisition, predictive analytics can also help firms identify trends in customer satisfaction levels to predict and prevent customer churn – and bolster customer retention.[41]

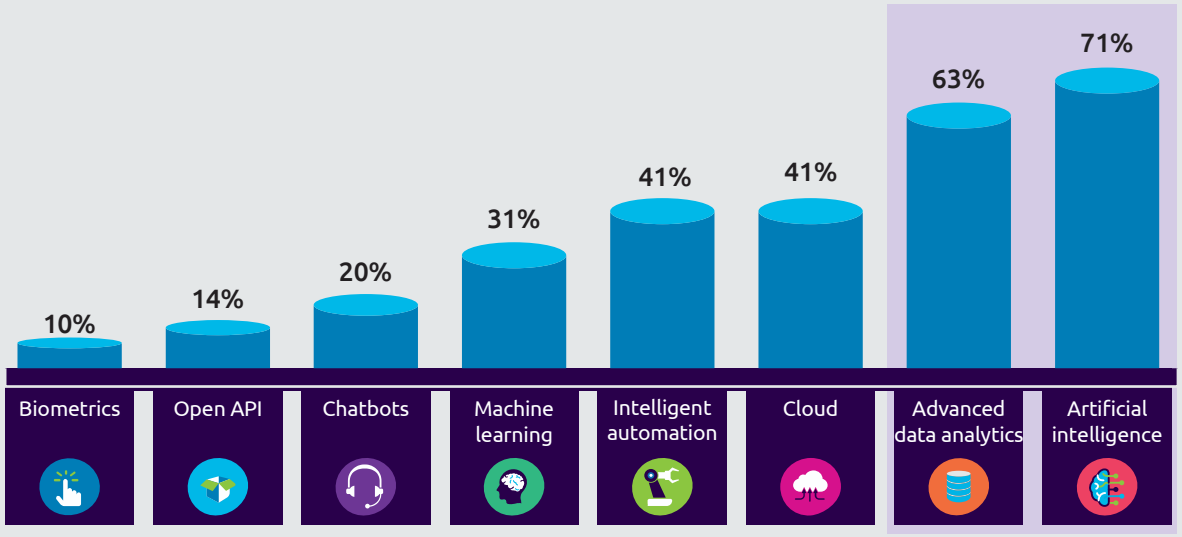
Client advisory – Analytics and automation can exponentially broaden the range of data sources firms can tap into for investment insights. Wealth advisers can leverage technology-based tools to make more accurate investment analyses and decisions and to provide the best recommendations for clients. For example, UBS uses card payment information to gauge the sales of a corporation and the potential impact on the company's stock price.[42]

Value-added services – While this area is still somewhat nascent, analytics, IoT, and AI have the potential to help wealth management firms explore relevant value-added services for clients. Consolidated client and third-party data can be mined and then used to offer advice on real-estate investment, lifestyle budgeting and spending, and also to provide consolidated banking administration services. Through open APIs, firms can also deliver innovative value-added services developed by third-party players on their platform.

> *The biggest opportunity to apply artificial intelligence is in client acquisition. With AI, advice can be truly personalized and customized to meet each individual's circumstances."*
>
> **— Joe Gribb**
> *Technology Head of Vanguard Enterprise Advice, Vanguard, US*

Wealth management executives believe AI and advanced data analytics produce high-impact results for both manager and firm capabilities. With their numerous applications, AI and advanced data analytics emerge unequivocally as investment priorities. We found it surprising and concerning at the same time, however, that firms did not recognize the potential of cloud and open APIs, which form the backbone of new-age business models.

Figure 14. Wealth firms consider AI and data analytics to be most impactful among leading emerging technologies (%), Mar–Apr 2020



Question asked: "From the list of emerging technologies, please select the top-three technologies in terms of their impact on enhancing wealth managers' and firms' capabilities in the near future."

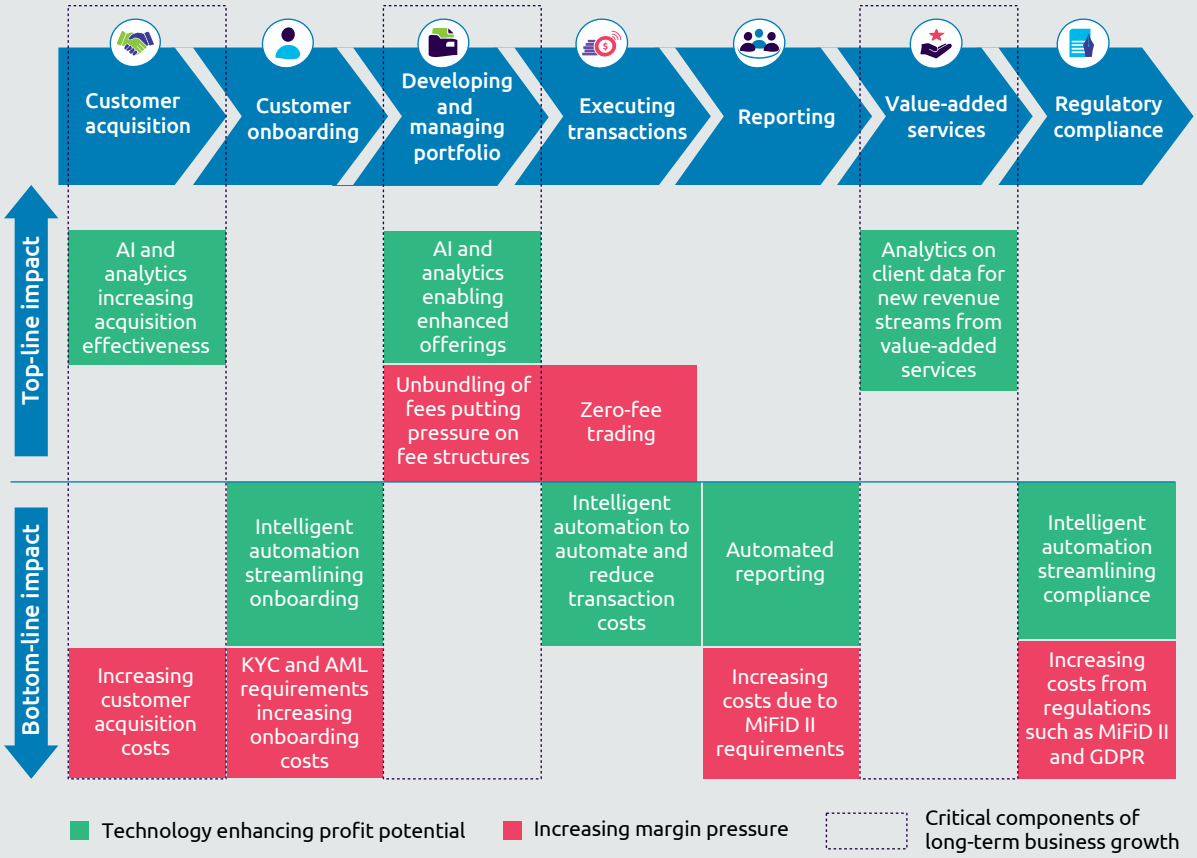
Source: Capgemini Financial Services Analysis, 2020; World Wealth Report 2020 Executive Interviews.

[41] Forbes, "Empowered By Technology, Wealth Managers Will Take Personalization To The Next Level," June 17, 2019; https://www.forbes.com/sites/insights-temenos/2019/06/17/empowered-by-technology-wealth-managers-will-take-personalization-to-the-next-level/#6e36880d38c4.

[42] Forrester Research, Inc., "Digital Trends 2019: European Wealth And Investment Management," April 5, 2019.

During the analysis of evolving cost and revenue dynamics across the wealth management operating model, **acquisition, advisory,** and **value-added services** again emerged as critical components of long-term business growth.

Figure 15. Cost and revenue dynamics are evolving across the wealth management value chain



Source: Capgemini Financial Services Analysis, 2020.



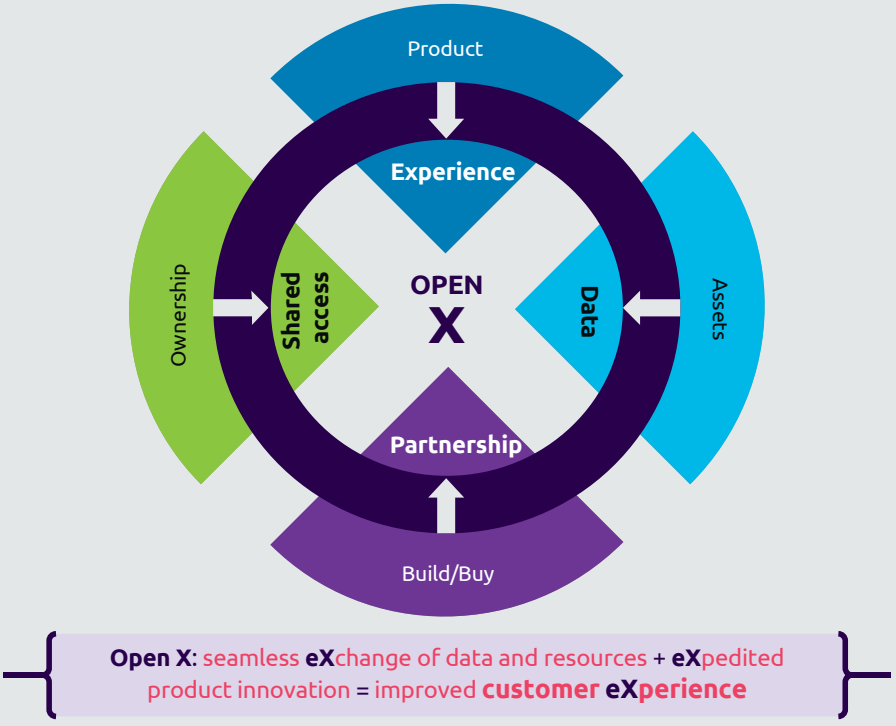
A smooth transition to Open X is essential as firms prioritize acquisition, advisory, and value-added services

The shift to the impending Open X era will spark opportunities for wealth firms to rethink their operating models. Open X leapfrogs the compliance-driven open banking environment to prioritize customer experience to product launch, focus on data more than on their physical assets, embrace partnerships versus a build/buy mindset, and give precedence to shared access, rather than exclusive ownership of property or capabilities.

The broader financial services industry is already profitably leveraging Open X strategies. Challenger banks and digital newcomers are building their entire models around Open X principles.

- The UK's digital, mobile-only challenger, **Starling Bank**, gained its competitive edge from a checking account product built on a platform that also offers customers a variety of offerings from diverse FinTech players, including WealthTechs *WealthSimple* and *Wealthify*.[43] By year-end 2019, Starling Bank had hit the one-million mark in terms of customer accounts.[44]
- Similarly, the French telecom, Orange, leveraged an open platform model to launch in 15 months **Orange Bank**, a fully licensed bank providing a large set of banking products.[45]

Figure 16. Entering the era of Open X



Source: Capgemini Financial Services Analysis, 2020.

[43] Capgemini, World FinTech Report 2019, June 4, 2019; https://fintechworldreport.com/.

[44] FinExtra, "Starling Bank hits one million accounts," November 12, 2019; https://www.finextra.com/pressarticle/80587/starling-bank-hits-one-million-accounts.

[45] Capgemini, World FinTech Report 2020, April 21, 2020; https://fintechworldreport.com/.

Within the wealth management industry, **Ant Financial Services Group** partnered with **Vanguard** to bring a new streamlined and broadly-available investment advisory service to retail consumers in China.[46]

Goldman Sachs leveraged open ecosystem collaboration to expand into a new sector and client base with an online digital bank. The first consumer banking offering from Goldman Sachs, **Marcus**, is the result of partnerships with firms such as GE Capital Bank and Clarity Money. Goldman is collaborating with **Apple** for a Marcus credit card and potentially with **Amazon** to distribute loans. The bank also plans to offer zero-fee wealth management services through a mobile app by the end of 2020.[47]

Wealth management firms can thus adopt Open X models to quickly and cost-effectively enhance capabilities through a two-pronged strategy:

- In the critical focus areas of acquisition, advisory, and value-added services, firms can invest in technologies such as AI and analytics to build capabilities in-house while also leveraging ecosystem collaboration and WealthTech partnerships to enhance their capabilities.
  - **Client acquisition** – Fast-growing, Mumbai-based **Edelweiss** collaborated with **Salesforce** to enhance lead generation and problem resolution through automation.[48]
  - **Client advisory** – **AXA Investment Managers** partnered with London-based startup **Essentia Analytics** to evaluate the historical behavioral data of its fund managers to identify and mitigate habits that might bias investment decisions.[49]
  - **Value-added services** – **Morgan Stanley** acquired **Solium Capital Inc.** to boost its value-added services offerings, through Solium's stock plan administration platform and financial education, and digital tools.[50]

> *Wealth management firms can explore WealthTech partnerships to deliver complementary services that they do not currently provide themselves. They can also build a partner ecosystem to offer extended services such as banking, lending, etc."*
>
> **— Mindi Marisa**
> *Head of Vanguard Digital Advisor, Vanguard, US*

> *We are collaborating with FinTechs that provide accelerated programs/products to accelerate our innovation."*
>
> **— Per-Christian Thorsen**
> *Executive Advisor, Nordea Private Banking, Norway*

[46] PR Newswire, "Ant Financial and Vanguard Announce Partnership to Bring Inclusive Wealth Management Services to More Consumers in China," December 13, 2019; https://www.prnewswire.com/news-releases/ant-financial-and-vanguard-announce-partnership-to-bring-inclusive-wealth-management-services-to-more-consumers-in-china-300974761.html.

[47] The Financial Brand, "Marcus: A Digital Bank That Should Keep Rivals Up At Night," Jim Marous, February 7, 2020; https://thefinancialbrand.com/92681/marcus-goldman-sachs-digital-banking-checking-strategy/.

[48] Salesforce, https://www.salesforce.com/in/customer-success-stories/edelweiss-global-wealth-management/, accessed April 2020.

[49] Capgemini, "Top-10 Trends in Wealth Management: 2019," December 10, 2018; https://www.capgemini.com/resources/top-10-trends-in-wealth-management-2019/.

[50] PlanAdviser, "Emphasis on Value-Add Services in Morgan Stanley's Solium Acquisition," John Manganaro, May 10, 2019; https://www.planadviser.com/exclusives/emphasis-value-add-services-morgan-stanley-solium-acquisition/.

- For areas that did not emerge as a critical focus (such as compliance and reporting), wealth management firms can consider the direct adoption of WealthTech solutions. A range of innovative, end-to-end WealthTech solutions are available.
  - **Client onboarding** – Founded in 2014, Belgium-based ***Connective*** provides digital signatures, identification, and smart document solutions that can streamline onboarding and enable multi-channel interactions throughout the process.[51]
  - **Transaction execution** – Belgian B2B startup ***InvestSuite*** provides a next-generation, white-label, execution-only platform for easy investing.[52]
  - **Reporting** – French WealthTech ***One Wealth Place*** provides customers access to omnichannel reporting (customer portal, mobile application, and email) as well as a consolidated view of their assets by aggregating external accounts.[53]
  - **Regulatory compliance** – Swiss RegTech firm ***RegData*** models regulatory requirements (such as GDPR) to provide firms risk analyses. Transparency, data protection, and compliance adequacy are all verifiable and auditable via RegData's real-time monitoring.[54]

> *From an operations perspective, the added value of WealthTech is in process simplification and automation of manual tasks, which results in a better client experience and productivity improvement. The other area is risk management – for example through better management of financial crime risk, reduction of false positives in adverse media searches, etc."*
>
> **— Jean Nabaa**
> *Chief Operating Officer, Retail Banking, Private Banking & Wealth Management, Standard Chartered Bank, Singapore*

Wealth management firms can quickly boost their competitive advantages – and profits – during uncertain times by adopting the right mix of *build*, *buy*, and *partner* approaches depending on their core competencies and business goals.



[51] Connective, https://connective.eu/, accessed April 2020.
[52] InvestSuite, https: //www.investsuite.com/selfinvestor#, accessed April 2020.
[53] One Wealth Place, https://www.onewealthplace.com/produit/airwealth, accessed April 2020.
[54] RegData, https://www.regdata.ch/, accessed April 2020.

End-to-end API-based omnichannel onboarding solution helps wealth firm boost time to revenue

Business challenge: Globally, many private banks and wealth management firms struggle to onboard a new generation of tech-savvy HNW clients while managing multiple regulatory obligations. For example, a North America-based tier-one wealth firm required about 50 days to onboard each new client.

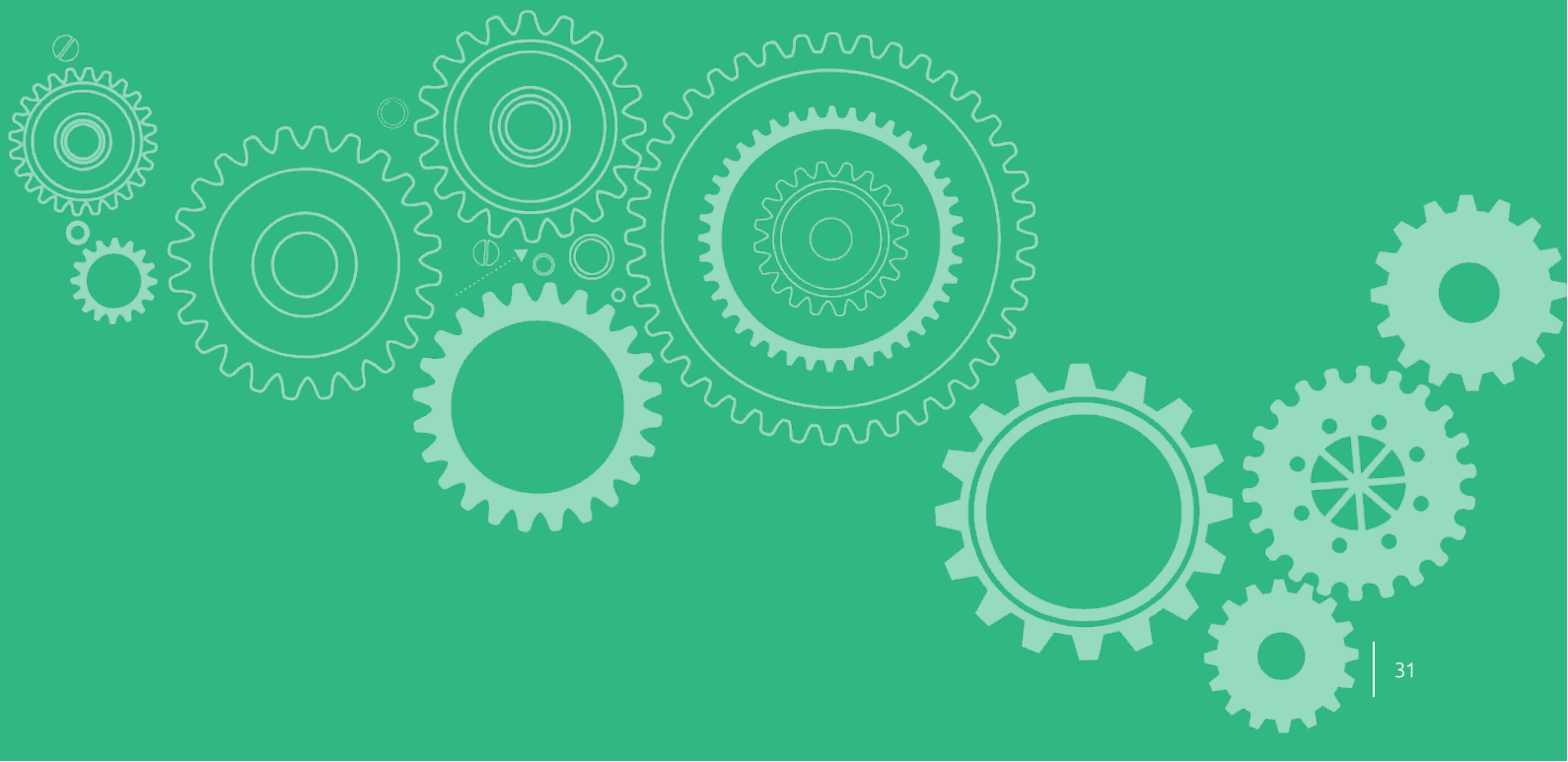
The friction-filled procedure included labor-intensive manual processes and significant regulatory compliance workflow gaps that were compounded by legacy technology and siloed client data. In addition to streamlining its onboarding process, the firm sought to more efficiently handle account reviews and risk assessment for its 1.4 million clients.

Solution: The firm reached out to **Fenergo,** a digital solutions specialist for client lifecycle management. The Dublin-based software company provided an end-to-end, API-based, omnichannel onboarding solution powered by a master data store that linked the wealth firm's business lines and jurisdictions.

Implementation began by seamlessly integrating the firm's existing customer relationship management (CRM) system and client portal with custodians at the back end. With a straight-through processing approach, driven by Fenergo's regulatory rules engine (an out-of-the-box repository of configurable rules that can be future-proofed for evolving regulatory and operational requirements), the solution tightly orchestrated and streamlined the client onboarding workflow to enable faster time to revenue. Fenergo enhanced the firm's regulatory workflows to ensure consistent compliance that verified new clients' sources of wealth while automating anti-money laundering (AML) screening for adverse media, politically exposed persons (PEPs), and sanctions.

Benefits: By centralizing client and counterparty data – and integrating with third-party CRM and data providers – the wealth management firm digitalized its end-to-end client onboarding process and reduced its previous need for multiple requests for Know Your Customer and AML documentation. Now, firm executives have peace of mind when it comes to regulatory compliance, their HNW clients are more satisfied, and operational, reputational, and financial risks have been reduced. The wealth management firm has reported that since the implementation, client onboarding times have been reduced to less than a month, and abandoned onboarding applications shrank 25%, to boost revenue by approximately USD10 million each year.

Sources: Capgemini Financial Services Analysis, 2020; World Wealth Report 2020 Executive Interviews.



Turning challenges into opportunities

Disruption and transformation seem to go part and parcel with the financial industry. And wealth management is often considered an economic trendsetter, considering how closely its revenues link to capital markets. However, the novel coronavirus disruption has left few wealth firms without challenges. Business, as usual, may no longer be pragmatic or even possible.

Against a backdrop of unprecedented challenges for individuals and industries, opportunities for firms to comprehensively assess and reinvent their business for viable post-pandemic success and contribution are unfolding. As giving back gains significance, sustainability and ESG investments are on the minds of firms and clients. COVID-19 may profoundly affect consumer behavior – making personalized engagement a requisite norm and opening new opportunities or challenges to wealth firms now and into the future.

The Capgemini Research Institute's consumer survey (of more than 11,000 customers across 11 countries conducted at the peak of the crisis in April) revealed a seven percentage point increase in consumers who want to utilize advisory services to manage their money effectively over the next six to nine months, as well as a trend to more enthusiastic adoption of digital channels going forward.

Therefore, even as wealth executives' immediate focus may be on business retention, building capabilities – both now and in anticipation of recovery – may pave the way to future opportunities and new revenue streams.

Capgemini has touted the merits of Open X since we coined the term and defined the impending era in our World FinTech Report 2019.[55] With the present urgent call to transformation, Open X has never been more relevant. Attempting to build all the required capabilities entirely on their own will demand plenty of capital and time of wealth management firms – both of which are luxuries in the current environment of disruption.

Successful firms will be those that can build synergistic relationships from within their ecosystem to quickly meet high net-worth clients' demand for easy-to-access personalized information and tailored investment strategies.

> *Given the recent black swan event, global stock markets are volatile. However, this environment also presents a huge opportunity for firms and advisors to deepen their client relationships. Firms can get closer to their clients by personalizing and digitizing their offerings. They can seize this moment to expand their value to existing and future clients. This is an opportunity to become more than just investment advisors."*
>
> **— April Rudin**
> *Founder and CEO, The Rudin Group, US*

> *To some extent, the current situation will lead to a differentiation between banks with very good digital capabilities and banks without digital capabilities. Banks with online/ mobile capabilities will have a comparative advantage over banks whose relationship managers are not reachable because they are remote without all the facilities. All this will also drive a change of cultural mindset."*
>
> **— Michiel Van Selm**
> *COO, Canopy, Singapore*

[55] Capgemini, "World FinTech Report 2019," June 4, 2019; https://www.capgemini.com/us-en/news/world-fintech-report-2019.

Partner with Capgemini

Digital wealth advisor platform

The wealth management industry is facing disruption on multiple fronts and the recent global health crisis has only exacerbated the challenges. Margins already stressed by increasing compliance and onboarding costs, as well as fee pressures, are coming under greater pressure in a tough economic climate. The need to connect effectively with clients through new channels and deliver a personalized experience is also greater than ever.

Capgemini's digital wealth advisor solutions can help banks modernize their platform by building new APIs to build new distribution channels. We also help modernize existing platforms by hollowing the core and gradually implementing new technologies. Our solution will help to improve operational efficiency in a world of low interest rates and higher transparency and pressure on fees.

Our wealth advisor solutions include:

- **Advisory productivity and collaboration** that integrates and aligns activities and applications across the advisory lifecycle and makes information most useful to a financial advisor readily available and just "one-click" away
- **Augmented Advisor Intelligence (AAI)** that enables firms to leverage data and artificial intelligence to revolutionize Firm-Advisor-Investor interactions.

Innovation as a service with scaleups

The Open X framework unlocks a world of new business models to financial services firms through effective collaboration with an extensive ecosystem of businesses (from FS to non-FS firms) enabled by open and evolutive platforms. Complementing our open banking offering, we assist clients to build an ecosystem with FinTechs that connects retail banking products with wealth management products.

The offering aims to support corporate clients to solve business problems through effective collaboration with the most prepared startups – we call them scaleups.[56] The outcome of this engagement is a quick and affordable go-to-market plan: six to nine months (not years) and an affordable opening investment, usually limited to an initial set-up cost and then with a pay-per-use model.

In order to identify the best scaleup to work with (thus effective collaboration), Capgemini has developed the Capgemini ScaleUp qualification program, an end-to-end methodology to evaluate scaleup maturity to collaborate with corporates effectively.

- The methodology evaluates the maturity of the scaleups across the "Four pillars of effective collaboration": People, Finance, Business, and Technology (this section includes Privacy).
- The 360-degree qualification process takes a month and goes through web scraping, scaleup self-declaration, interviews with Capgemini SMEs, and client feedback.
- More than 70 scaleups have been qualified from across the world and all FS business lines.

[56] A scaleup is a mature startup that has raised more than EUR1 million in funding or is profitable, has a full-time employed top management team, and has sustainable business traction (>EUR 200K revenue per year).

Methodology

Market sizing

The World Wealth Report 2020 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 an 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.

2020 Global High-Net-Worth Insights Survey

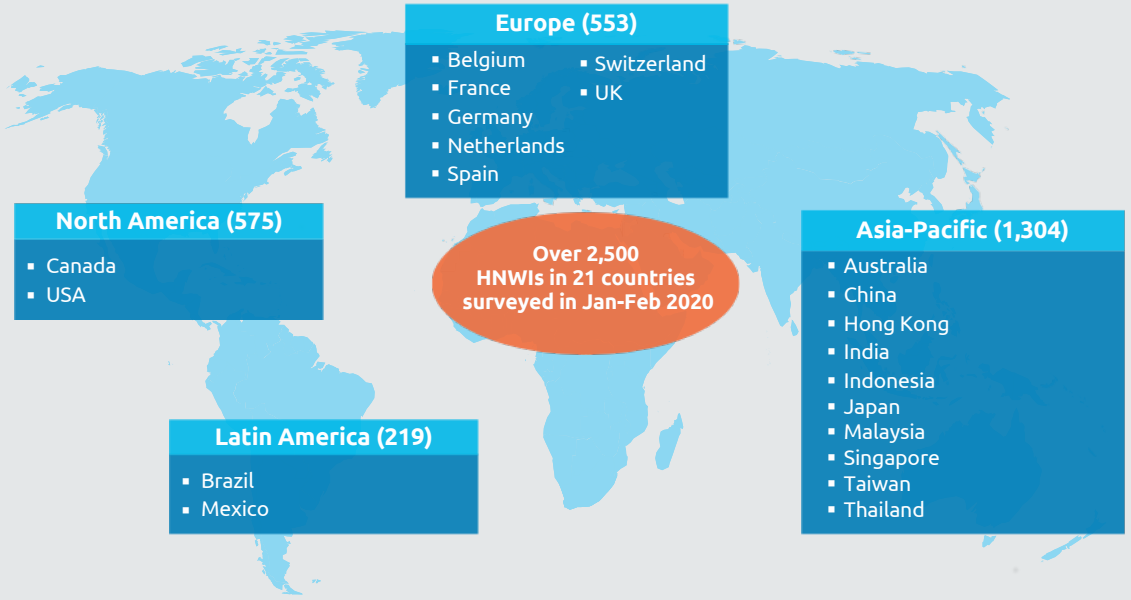
The Capgemini 2020 Global HNW Insights Survey queried more than 2,500 HNWIs across 21 major wealth markets in North America, Latin America, Europe, and the Asia-Pacific region. Respondent demographics, as broken down by region, age, gender, and wealth band, are captured in Figures M1 and M2.

The Global HNW Insights Survey was administered in January and February 2020 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 2020 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 HNWIs' experience across various touchpoints in their wealth management journey, interest in value-added services, and views regarding sustainable investing.

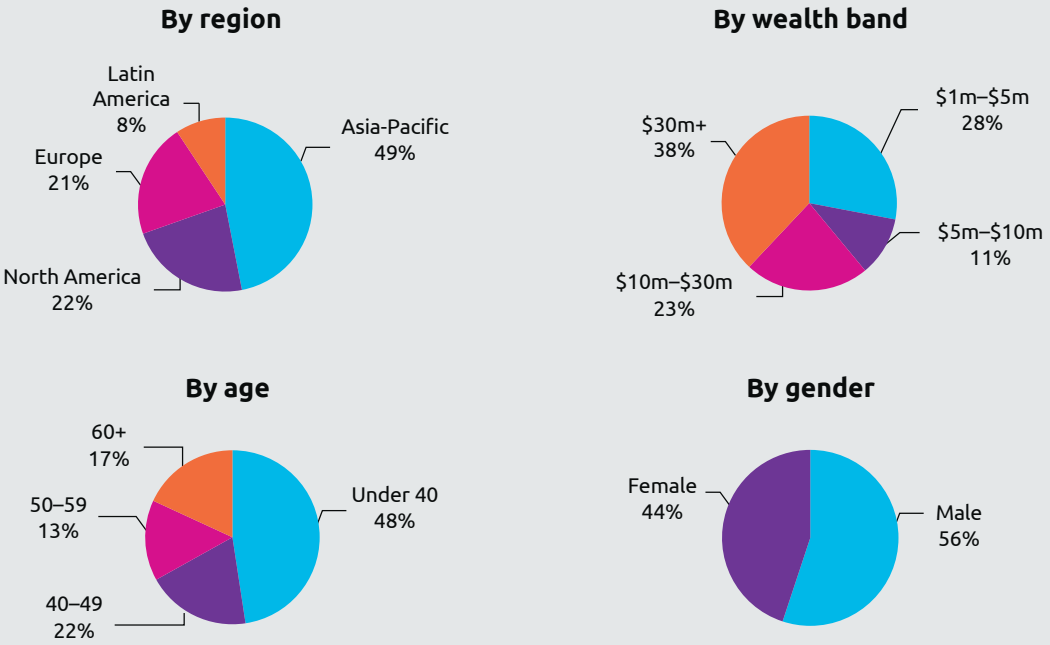
To arrive at global and regional values, country- and region-level weightings, based on the respective share of the global HNWI population, were used. This was done to ensure that the survey results are representative of the actual HNWI population.

Figure M1. Global HNW Insights Survey responses, Jan–Feb 2020



Source: Capgemini Global HNW Insights Survey, 2020.

Figure M2. Global HNW Insights Survey demographic breakdown, Jan–Feb 2020



Source: Capgemini Global HNW Insights Survey, 2020.

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