Mobility Adoption in Asian Wealth Management Firms: A Way Forward

The rising affluence of younger, hyper-connected investors across Asia is disrupting the staid wealth management market, pushing traditional players to build captivating and useful mobile experiences that strengthen client-advisor relationships, reduce operational costs and improve internal productivity.
Executive Summary

Asia offers significant growth potential for wealth management firms. Private wealth is growing at a healthy rate, driven by high GDP growth, a strong savings rate and an expanding base of wealthy individuals. Investor needs and preferences in the region are diverse, and existing and potential clients are primarily young and technology-savvy. This generation of wealthy individuals is driving mobility adoption, as they rely on their devices to track their financial information and investment options. Following the global financial crisis, many of these investors began to focus on risk reduction, preferring to diversify their investments across a variety of wealth management firms.

Despite growing opportunities, wealth management firms are struggling to capture the potential of the mobile market. Skewed client-advisor ratios and the preference among clients to be actively involved in investment decisions make it difficult for advisors to improve wallet share. High cost-to-income ratios, resulting from rising operational costs and low advisor productivity, are also increasing margin pressure on wealth management firms.

Adding to these multi-layered challenges is a severe industry talent crunch and soaring costs of hiring wealth managers. The regulatory environment remains focused on client information protection, transparency, tax compliance and disclosure, market stability and prevention of financial crime. Further, the entry of a new breed of low-cost, technology-savvy competitors is raising the expectations of young high net worth individuals (HNWI) on how technology can be effectively leveraged to service them, intensifying the challenge for traditional firms to offer similar services quickly.

In our analysis, three-quarters of the top wealth management firms in Asia have yet to adopt mobility for their client services. Key impediments to mobility adoption include:

- Concerns that self-service through digital channels will impact revenue streams.
- Lack of clarity on ROI for mobile technology deployment.
- Concerns about security and data privacy.
- Challenges in implementing a data strategy and achieving a well-integrated supporting infrastructure, a critical prerequisite for delivering the desired client experience through mobility.

We believe that offering mobility-enabled products and services will position wealth managers to win clients and market share. Failure to invest in a mobile offering will increase the risk of obsolescence and irrelevance with clients’ technology-dependent lifestyles. Mobility can help firms build engaging advisor relationships, stay connected with clients and proactively address their investment requirements. It can also help advisors trim operational overhead and boost productivity.

To start on the path to mobility, wealth managers should develop a holistic strategy that aligns their mobility offerings with clearly defined key performance indicators (KPIs). Firms need to decide early on whether to implement mobility on their own or hire a third-party partner with a focus on improving the client experience and advisor productivity.
Firms should also glean insights from the use of mobile technology among clients and advisors to plan and then extend their mobility services. Other requirements include a well-integrated operating infrastructure and a robust data strategy capable of providing a rich, seamless and consistent client experience. Lastly, mobility services also require effective security policies that offer robust protection of client data from unauthorized usage.

Embracing mobility is crucial for wealth management firms to outpace existing and emerging non-traditional players. An early start will pave the way to growth by meeting client expectations and enabling firms to differentiate their service offerings.

State of the Industry
Significant Growth Opportunities
Wealth distribution and the relative importance of different markets have changed over the past decade. Asia will be the wealthiest region in a few years (see Figure 1, previous page), with private wealth growing at a projected CAGR of 11.4% and reaching $48.1 trillion by the end of 2017. Factors driving this growth are robust GDP growth, high savings rates and a rapidly expanding population of high net worth individuals.

While sluggish growth and continuing economic uncertainties have resulted in low to moderate growth in the traditional wealth management hubs - the U.S. and Europe - Asia (excluding Japan) is expected to create around $7 trillion in net new millionaire wealth over the next four years, surpassing the U.S. and EU. Within Asia, China is expected to be the region’s largest onshore market by 2015. Its personal financial assets are projected by 2015 to more than double to $5.4 trillion from $2.3 trillion in 2011.

Diversifying Client Preferences
Emerging social, lifestyle and demographics trends are shaping client behavior and needs. These trends are impacting the way clients make their investment decisions and interact with firms offering them financial products and services.

- **Changing demographics:** Wealth holders in Asia are younger on average than those in developed countries (see Figure 2), and many have generated their wealth by becoming entrepreneurs. The needs of these clients are driven by local circumstances and the demand for access to international investments.
- **Clients are better networked, technology-savvy and better informed:** Wealth holders expect the same rich digital experience and easy access to information that they experience in other financial and non-financial sectors.
- **Asia’s wealthy are going mobile:** As active users of mobile technology, the region’s HNWIs expect service providers to deliver services through mobile devices. The next generations in line to inherit wealth are also heavy users of mobile devices in their daily lives. According to a study, 72% of Asia’s HNWIs use apps to track their banking and finance portfolios, while only 46% of their Western counterparts are doing the same. Studies also indicate that a majority of

### Asia: Hub of Young Wealth Holders

<table>
<thead>
<tr>
<th>Country</th>
<th>Average age of Ultra HNWIs</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>74</td>
</tr>
<tr>
<td>Brazil</td>
<td>68</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>68</td>
</tr>
<tr>
<td>Germany</td>
<td>66</td>
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<tr>
<td>U.S.</td>
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<tr>
<td>UK</td>
<td>65</td>
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<tr>
<td>Mexico</td>
<td>64</td>
</tr>
<tr>
<td>Singapore</td>
<td>62</td>
</tr>
<tr>
<td>Middle East</td>
<td>61</td>
</tr>
<tr>
<td>India</td>
<td>60</td>
</tr>
<tr>
<td>China</td>
<td>50</td>
</tr>
<tr>
<td>Russia</td>
<td>49</td>
</tr>
</tbody>
</table>

Note: Individuals with a net worth of at least US$30 million or more are considered Ultra High Net Worth Individuals.
Source: Forbes 2011
Figure 2
HNWIs prefer to interact with their advisors using mobile technology (see Figure 3).¹⁰

- **Diversifying wealth across providers:** Turbulence in the global economy has highlighted the importance of diversifying wealth not only across segments, markets and industries, but also across wealth managers. The growing standardization of the global financial industry reduces switching costs and lowers client anxiety.

### Wealth Management Challenges

### Structural Differences in Asian Markets

On average, advisors spend less than half their time on client-related activities.⁹ On top of this, client-advisor ratios in Asia are heavily skewed, with an average advisor handling 86 clients compared with the global average of 50 to 60 clients.²¹ Consequently, the average volume of assets under management with advisors at Asian firms is 20% lower than the European average.¹³ One possible explanation for this disparity is that Asian clients tend to actively manage their wealth and want to be involved in investment decisions.

Client-facing time, a key factor for advisors to grow their book of business, has declined in the region from 57% in 2011 to 46% in 2012.¹⁴ The reason: Advisors tend to spend more time on administrative activities, such as manual data aggregation across systems to present a consolidated view to clients, and entering client information into multiple systems that operate in silos.¹⁵

### Margin Pressures

Wealth management firms in Asia are facing significant margin pressures and rising operational costs. This is largely due to the increased compensation and comparatively low productivity levels of advisors, as well as rising client servicing demands and compliance costs. Wealth management firms in Singapore and Hong Kong had an average cost-to-income ratio of 83% in 2012, the highest in the world.¹⁶ This puts the focus on improving advisor productivity as their overhead contributes nearly half of the total cost base for wealth management firms.¹⁷

### Talent Shortage

In a people-intensive business such as wealth management, profitability is largely determined by a firm’s ability to attract experienced advisors. The growth of Asian firms is stifled by an acute shortage of advisors, driving firms to poach talent from each other. Additionally, many firms are targeting revenue growth of approximately 20% in 2014, which requires them to hire more experienced advisors to be able to achieve their growth targets.¹⁸ This heightened demand for talent is also increasing hiring costs.

### Regulatory Requirements

Like their counterparts in the West, firms operating in Asia face an array of regulations. Learning from the recent global economic crisis, regulators are emphasizing client protections, transparency, tax compliance and disclosure, market stability, and prevention of financial crime.

### How the Wealthy Communicate

**Q:** When it comes to communicating with your financial provider about your investments, which of the following devices are important? (Percent of respondents)

![How the Wealthy Communicate](image)

*Source: Scorpio Partnership*

*Figure 3*
Regulations include the Foreign Account Tax Compliance Act (FATCA), Anti-Money Laundering (AML), Know Your Customer (KYC), Future of Financial Advice (FOFA) and Suitability Assessment.

Wealth management firms that rely on manual approaches of procuring, managing and sharing client data will struggle to meet compliance requirements cost-effectively.

Regulators also require firms to establish consistent practices for capturing and classifying client data to ensure compliance with cross-border rules. Securing and safeguarding client data, as well as ensuring that advisors use such data appropriately, imposes additional requirements. Wealth management firms that rely on manual approaches of procuring, managing and sharing client data will struggle to meet compliance requirements cost-effectively.

Competition from Nimble and Low-Cost Players

A new breed of nontraditional competitors, mostly Internet-based firms, are also having an impact on the wealth management scene. These technology-savvy players offer easy-to-use platforms that provide investment advice and wealth management services at a very low cost. While these firms currently target the mass affluent client segment, they also raise the expectations of young HNWIs by demonstrating how technology can be effectively leveraged for client service. Traditional firms need to quickly identify ways to cost-effectively and efficiently serve and advise clients.

**Current State of Mobility Adoption**

Despite growing client interest in using mobile apps for wealth management and portfolio monitoring, currently very few apps meet these needs. Firms are also finding it difficult to catch up with and support the mobile technology and service requirements that their clients and advisors seek. Compared with retail banks, wealth management firms lag in adopting mobility as a strategic channel for driving growth.

The cautious approach to mobility adoption is caused by various factors, including the following concerns:

- Self-service through digital channels (e.g., online trading) would disintermediate advisors and affect some revenue streams.
- Introducing new apps would require wealth management firms to source the process to a mobile technology company, increasing costs. Risks would increase around security and data privacy.
- Advisors lack access to mobile technology and tools.
- The low levels of technology investments following the 2008-2009 financial crisis have resulted in a lack of integrated data and systems, hindering core platforms, applications and data architecture from providing online capabilities expected by clients (e.g., real-time updates).

## How Frontline Productivity Distinguishes Top Wealth Management Performers

<table>
<thead>
<tr>
<th>Margins</th>
<th>Top performers</th>
<th>Average</th>
<th>Bottom performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Margin</td>
<td>59%</td>
<td>17%</td>
<td>7%</td>
</tr>
<tr>
<td>Revenue Margin</td>
<td>127%</td>
<td>82%</td>
<td>59%</td>
</tr>
<tr>
<td>Cost Margin</td>
<td>43%</td>
<td>65%</td>
<td>88%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Productivity</th>
<th>Revenue per Relationship Manager (EUR Mn)</th>
<th>Average AuM per Relationship Manager (EUR Mn)</th>
<th>Net Inflow per Relationship Manager (EUR Mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top performers</td>
<td>2.442</td>
<td>270</td>
<td>25</td>
</tr>
<tr>
<td>Average</td>
<td>1.297</td>
<td>159</td>
<td>10</td>
</tr>
<tr>
<td>Bottom performers</td>
<td>0.897</td>
<td>103</td>
<td>-21</td>
</tr>
</tbody>
</table>

* Different bank samples for each criteria


Figure 4
Firms are more focused on product offerings and investment management than the client experience.\textsuperscript{22}

**Deploying Mobility for Market Success**

**Building Engaging Relationships**

Client-advisor interactions are a critical element of building strong relationships that strengthen a firm’s foundation. Although technology cannot be a substitute for physical interaction, it can pave the way for consistent and timely virtual meetings with clients. Optimally used, mobile devices (smartphones and tablets) can offer a platform for interactive and resourceful communication (see sidebar). Mobility can prove to be an influential factor in ensuring successful client relationships and increasing a firm’s mindshare.

**Improving Advisor Productivity**

Advisor productivity is key to improving client relationships, assets under management, and overall business performance (see Figure 4, previous page). Mobility can help advisors become more productive and focused on delivering client interactions with higher value. Firms can utilize smart onboarding and client tools to

**Quick Take**

**Smart Tools that Redefine Virtual Interaction**

Using mobile devices, wealth management firms can deliver value-added services and on-the-go high-touch, analytics-based advice to HNWI clients. In addition to providing regular services in an anytime-anywhere mode, wealth management firms can explore new possibilities for providing differentiated services that capture clients’ attention.

- **GPS capability:** Allows location-based, contextual services, such as offers, alerts and concierge services.
- **Camera:** Allows on-the-spot scanning, photography and even touch-free operations.
- **HD resolution screens:** Uses graphical and charting capabilities, as well as interactive financial planning apps, to drill down and understand portfolios.
- **Touchscreens with gesture control:** Provides control and navigation features in which every pixel is active.
- **Video:** Enables remote face-to-face connections between clients and advisors.
- **Security:** The use of biometric electronic signatures ensures communication between advisors and clients remains secure.
enable clients and advisors to spend less time on documentation and other tasks that can be provided through self-service apps.

Mobile applications can scan documents in high-resolution, share client information with back-end systems, manage documents and assist clients with financial planning. Advisors can free their time to focus on building and enhancing client relationships, thereby adding to the bottom line (see Figure 5, previous page). Wealth management firms seeking growth and an increased share of the lucrative market need to invest in experienced advisors and technology-based systems to improve the productivity levels of advisors.

Lowering Costs through Self-service
In the coming years, wealth management firms can expect to increase efficiency by delivering more services to wealthy individuals over tablets and mobiles. Key app features will include interactive charts, fund-rating capabilities, social media tools, meeting facilitation and tools that enable instant interactions.

The Path to Mobility
A Holistic Mobility Strategy
We recommend that wealth management firms develop a well-thought-out strategy that links mobility offerings to clearly defined KPIs. They can start by:

• Laying ground rules to jumpstart the mobility strategy.
• Deciding on whether to rely on internal sources or hire a third party to save significant time, money and effort.
• Focusing on improving the client experience, usability and increased operational efficiencies.
• Getting clarity on which mobile platforms (software, hardware and middleware) will ideally suit their requirements.
• Establishing a clear mandate on which devices employees should use and how the devices should be procured (employee-owned or company-issued) to access wealth management apps and solutions.

Determining Mobile-Assisted Tasks
Firms must identify the list of mobile activities and tasks desired by clients and advisors. By equipping mobile apps to offer expected levels of convenience and experience, firms can offer mobility services that best meet client and advisor needs.

Integration with Existing Infrastructure
A well-integrated operating infrastructure and robust data strategy are prerequisites for providing a rich, seamless and consistent client experience through mobile devices. Firms also need to assess their mobility readiness when planning the implementation roadmap, allowing them to address gaps in their foundational components. Without these mobility programs, it is impossible to deliver the expected benefits.

Security Policies
Firms should develop comprehensive security policies that:

• Ensure client data is protected and is accessible only to authorized personnel and clients.
• Advocate the ideal mobile hardware and software combinations for clients to securely use apps and services.
• Determine how sensitive client data will be handled if a device used to access apps and services by an employee or a client is lost or stolen.
• Provide guidance on allowing or disallowing employee devices.
• Enforce enterprise security policies on devices owned by employees and used to access client data, corporate apps and services.

Enabling Growth
Mobile technology offers wealth management firms an opportunity to leverage their investment capabilities, engage clients in a more meaningful way and coalesce digital approaches (mobile, social, online). It also helps firms become more agile, a much-needed capability to deal with the emergence of technology-savvy competitors seeking to grab market share from traditional players. Clients now differentiate among wealth management firms by how they deliver advice, and a robust mobile presence offers wealth management firms a viable path for differentiation.

Firms can utilize smart onboarding and client tools to enable clients and advisors to spend less time on documentation and other tasks that can be provided through self-service apps.
Footnotes


5 The markets present in the investors’ country of residence are referred to as onshore market.


7 Ibid.


17 Ibid.

18 “Private Banking Hamstrung by People-Poaching,” CNBC, September 2013. 

19 Wealthfront and Dragon Wealth.


23 “Tablet Adoption in Corporate Banking and Wealth Management,” Ovum Knowledge Center, January 2012. 

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Credits

Author and Analyst
Aala Santhosh Reddy, Cognizant Research Center

Subject Matter Experts
Aamod Gokhale, Director, Consulting, Cognizant Banking & Financial Services
Amar Devasthali, Manager, Consulting, Cognizant Banking & Financial Services

Design
Harleen Bhatia, Design Team Lead
Suresh Kumar Chedarada, Designer

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