



Improve Three Areas to Support Digital Business Transformation in Wealth Management



Overview

As wealth management firms pursue digital business transformation, they need to focus on the areas that deliver the most business value and lay the foundations for scaling digital initiatives. Integrating advisor-supporting technologies (e.g., CRM, financial planning) into digital platforms, enhancing the advisor-client collaboration experience in client-facing technology, and addressing data and workflow roadblocks that impede digital transformation should be top priorities for wealth management leaders.

Key Findings

- Wealth management leaders today initiate multiple technology-related business projects and priorities that often only seek to keep up with competitors or support the short-term needs of the current or traditional business model.
- True digital business transformation is the process of exploiting digital technologies and supporting capabilities to create a new, competitively robust digital business model.
- Wealth firms should focus on initiatives that will deliver the most value and lay the foundation for scaling digital initiatives, including advisor-supporting technology, client-facing tools, and data and workflow initiatives.

Recommendations

Wealth management leaders executing a digital go-to-market and overall strategy should:

- Focus on solutions that address the challenging business needs of today, to garner support for designing the digital architecture for tomorrow.
- Integrate advisor-supporting technologies (such as CRM, financial planning and portfolio management) into digital platforms to accelerate advisor acceptance of digital transformation.
- Enhance the existing client experience, while preparing to expand into the digital ecosystem, by focusing on collaboration capabilities (such as vaults, co-browsing, videoconferencing and roboadvisors) in client-facing technology.
- Work with internal partners to develop a data architecture to support improved analytics and straight-through processing at scale. Start with data and workflow issues that can impede advisor and client interactions (e.g., onboarding, aggregation and reporting).

Introduction

Wealth management leaders are increasingly responsible for working with their technology partners to set firmwide plans that include technology strategy. From onboarding and platform consolidation to advisor desktop integration and account aggregation, wealth firm technology initiatives continue to grow. Unfortunately, many of these initiatives seek only to catch up to competitors or support short-term needs of the existing and traditional business model. These “wealth firm of today” projects leave little time for experimenting with emerging technologies such as artificial intelligence, robotic process automation and blockchain.

In fact, wealth management firms’ adoption of emerging technologies such as artificial intelligence (AI) and robotic process automation (RPA) lags behind that of retail and commercial banks (see [“Top 10 Technology Initiatives for Wealth Management in 2018”](#)). It is not surprising, then, that wealth firms also lag behind other financial services lines of business in digital transformation.

Digital Optimization Versus Digital Business Transformation

Digital transformation is not merely a better client-facing portal or more effective mobile apps for advisors. In fact, technology is only one component of digital transformation. Gartner defines “digital” as the representation of physical items or activities through binary code, so wealth management firms are already “digital.” When an advisor sends an email instead of a letter, or a client downloads a tax form from a client-facing portal, those experiences are digital.

Most firms are looking to digital technology to improve existing operating processes or business models — “digital optimization.” Being a digitally optimized firm, however, does not make a wealth management firm or line of business (LOB) a digital business.

A “digital business” is an organization, or a unit within an organization, whose product set and business model are made possible only by the use of information and digital technology. Digital business emphasizes exchange and communication between businesses, people and physical things (such as the Internet of Things), including connections inside and outside the organization via business ecosystems and platforms.

“Digital business transformation” is the process of exploiting digital technologies and supporting capabilities to create a new, competitively robust digital business model. As firms seek out digital initiatives, some will focus on optimization, while others will focus on digital business transformation.

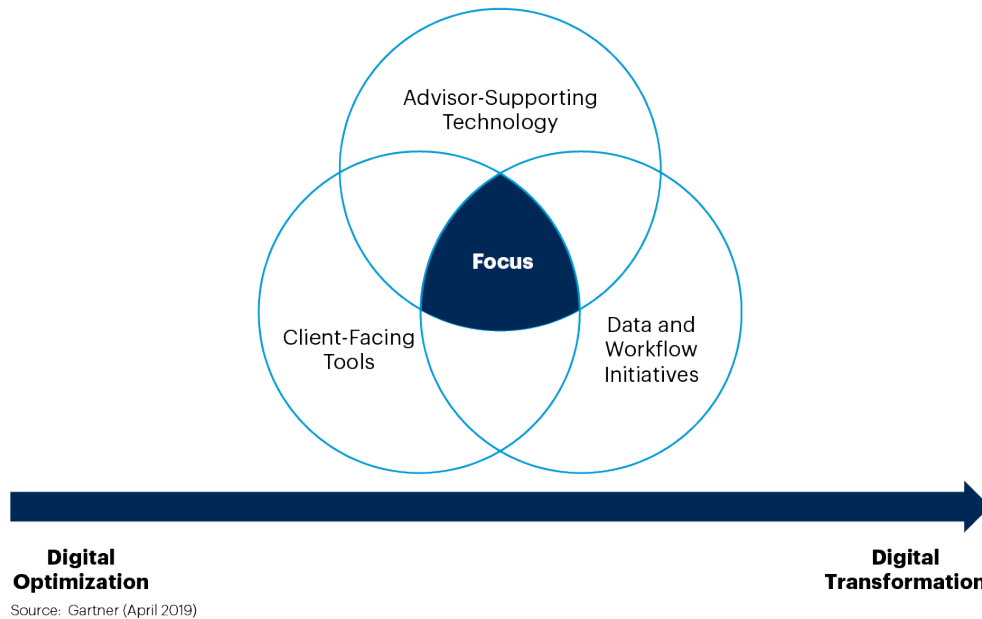
No matter which path leaders choose, or even if they choose multiple paths, the journey will not be easy or static. Even if executive teams buy into digital business transformation, their enthusiasm may not trickle down to LOB leaders or to the financial advisors who interact daily with firm clients. Digital transformation does not happen instantaneously, and the sheer number of systems, platforms and workflows that are involved can be paralyzing.

Rather than boil the ocean, wealth management leaders should focus on areas that will deliver the most business value and lay the foundations for scaling digital initiatives. We suggest focusing on solutions that address the challenging business needs of today to garner support for designing the digital architecture for tomorrow. The following technology areas will have the most impact on delivering value and scaling:

- Advisor-supporting technology
- Client-facing tools
- Data and workflow initiatives (see Figure 1).

Figure 1: Wealth Management Focus Areas

Wealth Management Focus Areas



These technologies will have the most impact on delivering value and laying the foundations for scaling digital initiatives.

This report provides a high-level overview of why Gartner recommends these three areas.

Analysis

Integrate Advisor-Supporting Technologies Into Digital Platforms to Accelerate Advisor Adoption

Technology plays an important role in digital business transformation, but in the end, it is a tool to support the projects that drive business value. According to Gartner's most recent survey of executive priorities, industry leaders are most focused on the following four challenges:

1. Internal technologies (e.g., advisor tools, CRM, risk management) do not meet firm requirements.
2. Client-facing technologies (e.g., client portal, reporting and channels) do not meet firm requirements or clients' needs.

3. The client experience is difficult to personalize at scale.
4. They are missing opportunities to leverage data for a better client experience or to optimize processes.

While firms' top priorities focus heavily on the client experience, an underlying stakeholder is impacted by a lot of these challenges: the advisor, wealth management firms' most valuable asset. Whether they are known as relationship managers, brokers, consultants or advisors, the personnel who represent wealth management firms when providing advice to end clients feel challenged now more than ever.[1]

Fee erosion, automation, emerging threats, regulatory burdens and numerous other outside drivers make it more difficult for advisors to clearly demonstrate their value proposition. To differentiate themselves from competition, they must rapidly shift from serving as backward-looking, performance-focused asset allocators to goal-based, forward-looking planners and portfolio managers who can tailor advice and solutions to the individual needs, goals and preferences of their clients. To do this, advisors need more time to support existing client needs, while growing their book of business. This is where wealth management leaders will be asked to find ways to free up time, automate processes, and integrate and display the data so advisors can serve their clients in an effective and scalable way.

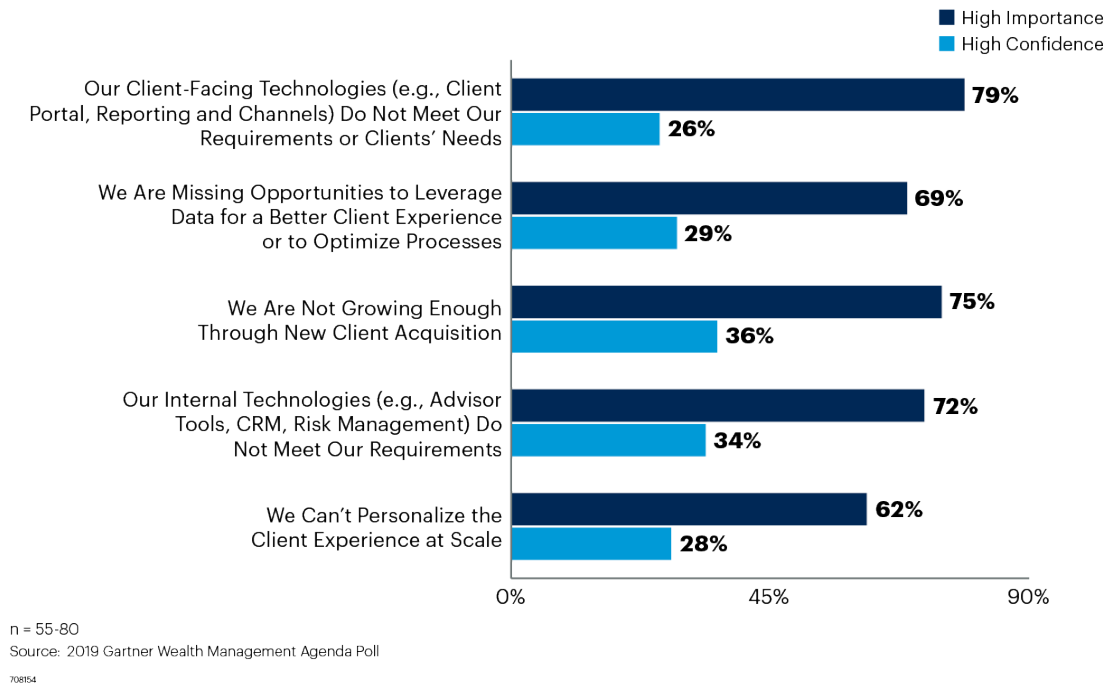
In the same survey of executive priorities, business line leaders ranked initiatives based on their priority, as well as how important the initiatives are to the firm's success and how confident the executives are in their ability to succeed in these initiatives. Every year, Gartner measures the gaps between importance and confidence for various initiatives. Some of the largest gaps are for initiatives relating to technology that supports advisors and the client experience (see Figure 2).[1]

Advisors cannot compete with emerging fintech players and existing technology-focused competitors if they are still working off of unoptimized legacy platforms or software solutions that are truly becoming obsolete. They also can't be efficient if they must enter data into multiple redundant solutions or jump from screen to screen to deliver value to their clients.

Figure 2: High Importance Versus High Confidence for Wealth Management Priorities

High Importance Versus High Confidence for Wealth Management Priorities

Percentage of Respondents in Wealth Management, 2018



Advisors face significant gaps between importance of and confidence in wealth management priorities.

Garner Advisor Support by Demonstrating Immediate Value

Advisor adoption can be one of the largest obstacles to successful technology launches, so it is important to garner advisor support by demonstrating the immediate value they will get from such technology. Wealth management leaders will meet the business line technology needs of today by working with technology partners to set a technology agenda that includes:

- Elimination of obsolete platforms
- Integration of digital solutions that enable advisors to excel at delivering a goal-based advisory experience
- Construction of an architectural foundation for integrating emerging solutions, internally and externally, as the firm transitions to a true digital business model

Integrate the Desktops of Today With the Enhanced Desktops of the Future

Advisors interact with necessary components on a daily basis to meet client needs — components often referred to as the “advisor desktop,” “dashboard” or “front-office systems.” Examples of common existing advisor tools and technologies include CRM, financial planning and portfolio management (see Table 1).

As firms begin transitioning toward digital business models, leaders will need to integrate additional evolving solutions into the desktop. These include AI-powered solutions, roboadvisory for advisor tools, and other solutions found in the partner ecosystem inside and outside of financial services (see Table 2).

Wealth management leaders must walk before they run. Beginning with the integration of existing solutions and improving data sharing and analytics lays the foundation for the desktop of the future.

Table 1. Existing Advisor-Supporting Tools to Integrate Into Digital Platforms

Existing Advisor Integration Needs
CRM
Document management and marketing tools
Financial planning
Market data and analytics
Performance and client reporting
Portfolio management
Proposal workflow tools
Social media tools

Leaders need to integrate these existing advisor-supporting tools into digital platforms.

Source: "Gartner (April 2019)"

Table 2. Evolving Advisor-Supporting Tools to Integrate Into Digital Platforms

Evolving Advisor Integration Needs
Artificial intelligence (AI tools)
Client collaboration tools
Fintech partners
Internet of Things (IoT)
Roboadvisory
Robotic process automation (RPA) tools
Virtual reality

Leaders need to integrate these evolving advisor-supporting tools into digital platforms.

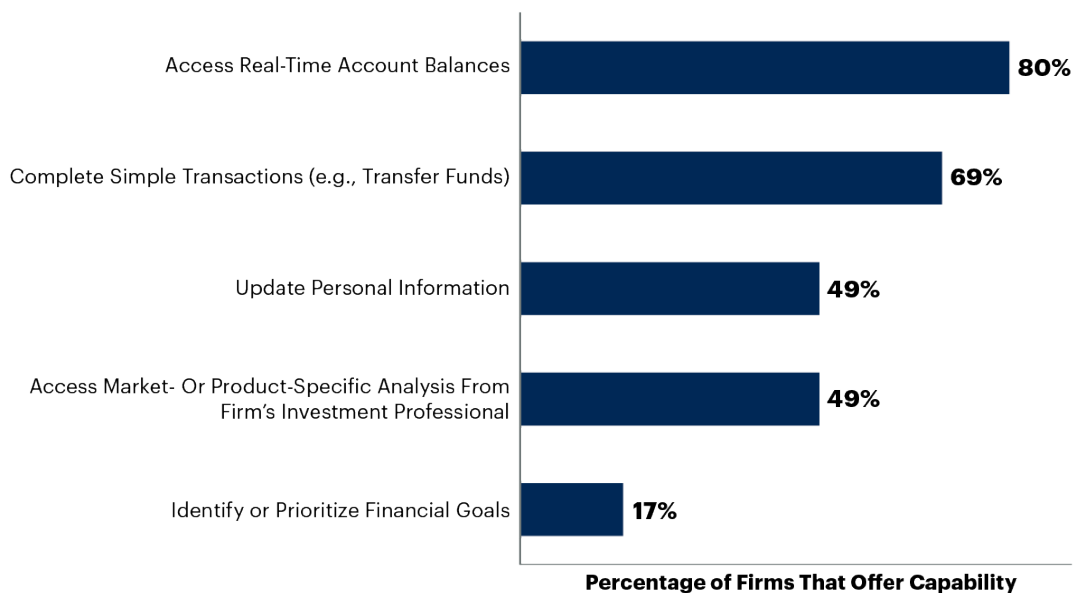
Source: "Gartner (April 2019)"

Enhance the Collaboration Experience in Client-Facing Technology to Improve Digital Empathy

Historically, client-facing technology has been a one-way street (that is, the advisor had the technology and might use it to present to a client, but the client could not drive the experience or present back). It has also been fairly static. Surprisingly, some firms still do not offer a client-facing portal for high-net-worth (HNW) and ultra-high-net-worth (UHNW) clients, according to the 2017 Gartner Firm Profitability Diagnostic Assessment.[3] Among the firms that offer a client-facing portal, many are fairly static offerings, resulting in only about half of clients using the portal, and less than half of them using it frequently (see Figure 3).

Figure 3: Existing Client Portal Capabilities

Existing Client Portal Capabilities



n = 35
Source: Gartner 2017 Firm Profitability Diagnostic
708154

Many of the existing client portal capabilities are fairly static offerings.

Part of the reason for substandard portals is that many wealth management firms feel that the *relationship* between advisor and client (not the platform) is the value proposition, and that their clients, often HNW or UHNW, do not use do-it-yourself or self-service capabilities. Survey results show that most firms (58%) are confident in their ability to add or improve digital-only wealth management capabilities (roboadvisory and self-service), even though only 57% actually list those capabilities as important.[2]

Although the majority of clients may not be looking for self-service, clients may still want a digital experience. Gartner's HNW client surveys have shown that:

- HNW clients prefer to do various tasks online.
- HNW and UHNW clients are more familiar with and more likely to use digital advice tools than less affluent clients.
- HNW clients expect advisors to have access to cutting-edge technology.[4]

What clients desire is a collaborative digital experience with their wealth management firm, where the advisor may drive most interactions, but the client can still be involved and have various levels of control. Most firms lack both the do-it-yourself capabilities and the collaborative digital experience, but many firms are aware of their limitations. The profitability diagnostic assessment shows that 88% of surveyed executives did not rate their client portals as high-quality when it came to applicability of online capabilities to client interactions with advisors and helpfulness of online capabilities in making financial decisions.

To solve other important problems such as internal technologies (e.g., advisor tools, CRM) not meeting firm requirements or the inability to personalize the client experience at scale, firms must focus on immediate and emerging advisor and client needs. This also aids in improving empathic capabilities in the future.

Look to Digital Tools That Enhance Collaboration

To meet the immediate needs of advisors and clients, firms should look to digital tools that enhance collaboration. Examples include client vaults, roboadvisors, videoconferencing, and other solutions that enhance advisor and client collaboration (see Table 3). Many of these solutions exist today; by resolving these pain points, firms can improve digital optimization, even if within their organizations.

To digitally transform, however, firms will need to think about how these collaborative solutions meet client needs and integrate into the broader client-supporting ecosystem. This could be through social media platforms, platforms of fintechs or even non-financial-services firms such as retailers and membership organizations. Firms also need to think about wearables and other IoT devices, natural language processing (NLP) to meet existing AI client needs, and even ways to expand limited solutions like roboadvisors to HNW and UHNW clients (see Table 4).

Focusing on the broader ecosystem and consumer technology usage enables wealth management leaders to support the any-device, any-channel, anytime desires of digital clients. This will also expose potential new revenue streams as firms explore partnerships, new business models and new products that build on the foundation of digitally collaborative tools.

Table 3. Existing Client-Facing Tools to Integrate Into Digital Platforms

Existing Client Integration Needs
Client portals
Client vaults
Financial planning collaboration tools
Mobile apps and text compliance
On-demand reporting
Roboadvisors and automated advice engines for mass affluent
Social media
Videoconferencing

Leaders need to integrate these existing client-facing tools into digital platforms. Source: “Gartner (April 2019)”

Table 4. Evolving Client-Facing Tools to Integrate Into Digital Platforms

Evolving Client Integration Needs
Chatbots and NLP-powered solutions
Collaborative roboadvisors for HWN and UHNW clients
Fintech partner client tools
IoT and wearables
Non-financial-services partners
Predictive analytics and AI data tools
Screen sharing and co-browsing
Virtual reality and gamification

Leaders need to integrate these evolving client-facing tools into digital platforms. Source: “Gartner (April 2019)”

Develop a Data Architecture by Focusing on Internal Roadblocks That Impede Digital Transformation

The line is beginning to blur between advisor-supporting technology and client-facing technology. Via APIs or microservices, wealth firms continue to expose pieces of their core advisor desktop solutions to their clients. The most successful of the solutions, so far, enable clients to better collaborate with their advisors or update information efficiently, such as financial planning modules, performance-reporting tools and CRM capabilities. At the same time, clients are exposing more data to advisors, through

roboadvisor platforms, social media platforms, fintech partnerships and so on. Yet advisors need a more holistic view to better meet client needs.

Unfortunately, getting all of these systems to communicate smoothly when there are no real standards for data can create difficulty in designing the true digital experience that advisors and clients desire. Nor is this purely a front-office problem. In addition to advisors and clients interacting with one another, that data has to flow into middle- and back-office systems for firms to actually act on the advice that is being given. Firms must focus on which data issues are most pressing to aid in acceptance of digital transformation.

Earlier, we discussed integrating advisor desktops to free up valuable time and gain digital acceptance from advisors, and enhancing collaborative tools and integrating into a broader ecosystem to lay the foundation for client adoption and stickiness. In the same way, firms must find the data problem of today to focus on the transformation for tomorrow.

Focus on Data Issues Presenting the Most Frequent Painful Roadblocks in the Advisor-Client Relationship

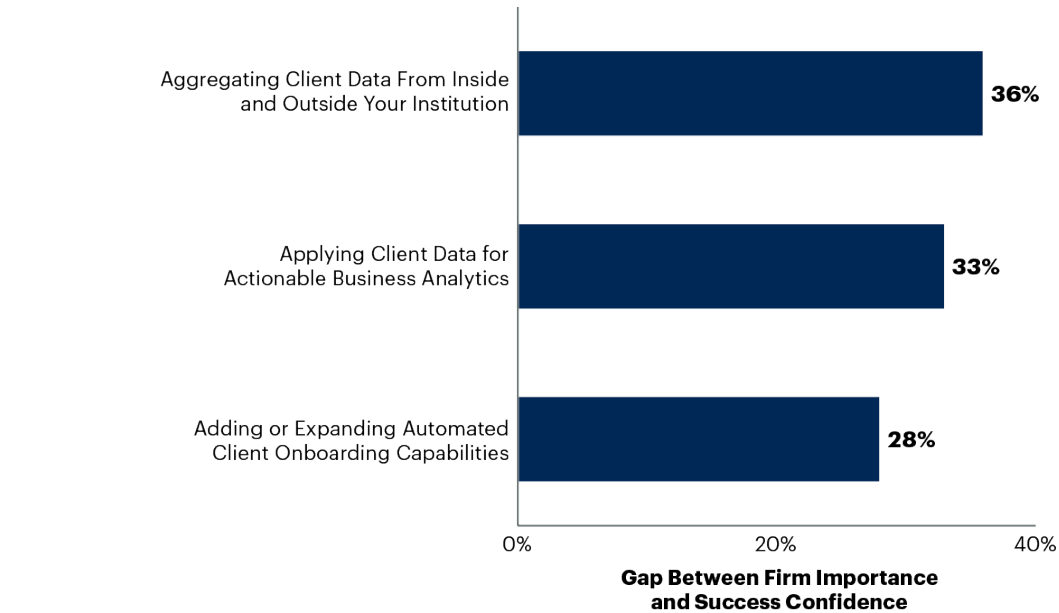
Wealth management is, at its core, an advisor-client relationship model. Gartner recommends meeting current optimization needs, while positioning for transformation. Some common pain points include:

- Internal data aggregation for client relationship improvement
- External investment data aggregation for performance reporting
- External financial data aggregation for holistic planning
- Client and account onboarding

In fact, executives have demonstrated some of the largest gaps between confidence and importance related to these initiatives. The largest gap for all initiatives in 2018 (36%) was aggregating client data from inside and outside the institution.[2] This makes client data aggregation a key area of focus for wealth management executives looking to solve the many current problems associated with the inability to get a clear view of client assets, and thus not providing the most actionable advice. Firms must focus on how to aggregate data and consolidate technologies to improve this experience (see Figure 4).

Figure 4: Confidence Gap for Data and Workflow Initiatives

Confidence Gap for Data and Workflow Initiatives



n = 92
Source: 2018 Gartner Wealth Management Agenda Poll
70854

Wealth management leaders face gaps between firm importance and success confidence for data and workflow initiatives.

Viewing data is not the only issue, however, as firms also struggle with moving the data and using it for actionable business analytics. Focusing on these data and workflow issues will solve today's pain points. It will also position the data for use with AI, RPA and other solutions that improve efficiency and gain more advisor, client and firm buy-in to digital transformation (see Table 5).

This will also position the data to be better shared in a broad ecosystem of fintechs, financial services firms and other members of the ecosystem. Moreover, such analytics, the data and even the feeds could be monetized and turned into a revenue stream if opened up to partners in the ecosystem (see Table 6).

Table 5. Existing Data and Workflow Issues to Integrate Into Digital Platforms

Existing Data and Workflow integration Needs
Automated client and account onboarding
Cloud transformation
Data governance and management

Existing Data and Workflow integration Needs
External holistic financial data aggregation for planning and expanded advice
External investment data aggregation for portfolio construction and performance reporting
Internal client data aggregation for client relationship

Leaders need to integrate these existing data and workflow components into digital platforms.

Source: “Gartner (April 2019)”

Table 6. Emerging Data and Workflow Integration Needs

Emerging Data and Workflow integration Needs
Advanced analytics initiatives
Fintech partnerships
Microservices and data monetization
Non-financial-services partners
Platform positioning
Regulatory data mandates
RPA initiatives and AI initiatives

Leaders need to integrate these emerging data and workflow components into digital platforms.

Source: “Gartner (April 2019)”

Conclusion

Wealth management leaders currently initiate multiple technology-related business projects and priorities that often only seek to keep up with competitors or support the short-term needs of the current or traditional business model. Firms that aspire to digital business transformation need to exploit digital technologies and support capabilities to create a new, competitively robust digital business model. As wealth firms strive to digitally transform their businesses, important areas of focus will include integrating advisor-supporting technologies into digital platforms, enhancing the collaboration experience in client-facing technology, and developing a data architecture that supports improved analytics and straight-through-processing.

Recommended by the Authors

- “Data-Driven Business Development”

Learn how BMO Private Bank leverages data analytics to help advisors optimize service to existing clients, identify high-potential next-generation clients and uncover ultra-high-net-worth opportunities within their existing client base.

- [“Digitally Enhanced Needs Discovery”](#)
Understand how one organization deployed an interactive needs discovery tool with clients to direct both current and prospective clients to educational resources within common life priorities.
- [“Digital Skills Academy \(Ericsson\)”](#)
Learn about the community portal offered by Ericsson that empowers employees to better understand how digital will personally affect them, which puts digital skills development into context.
- [“The State of Digital Business Transformation for Financial Services Business-Line Leaders”](#)
Understand the current state of digital transformation across the financial services industry, including five specific approaches to digital business transformation.

About This Research

This research is drawn from Gartner’s “Strategic Priorities of Wealth Management Executives” annual agenda poll surveys in 2018 and 2019. Each year, we survey executives across the globe to understand what is top-of-mind for wealth management leaders. The main goal of this survey is to understand the top challenges business executives face today and their confidence in resolving those challenges. Our 2019 survey included responses from 103 executives in North America, Latin America, Europe, Africa and Asia/Pacific. Our 2018 survey included responses from 92 executives in North America, Asia/Pacific, Europe, the Middle East and Africa. Respondents for both surveys represented a wide array of wealth management firms (e.g., bank, wealth advisor firm, brokerage firm, asset management firm, trust company, registered investment advisor, insurance company, etc.).

Endnotes

[1] Gartner’s [“Strategic Priorities of Wealth Management Executives in 2019”](#) (registration required) examines the collective priorities of wealth management executives and their confidence in executing effectively against those priorities. In the fourth quarter of 2018, Gartner surveyed 103 wealth management executives to better understand what is top-of-mind for wealth management leaders in 2019. Respondents included executives from wealth management firms in North America, Latin America, Europe, Africa and Asia/Pacific.

[2] The [“2018 Wealth Management Outlook”](#) (registration required) examines the collective priorities of wealth management executives and their confidence in executing effectively against those priorities. In July and August 2017, Gartner surveyed 92 wealth management executives to better understand the initiatives

that industry leaders were focused on across five strategic categories: technology capabilities, business effectiveness, client segmentation, talent effectiveness and client experience. Respondents included executives from wealth management firms in North America, Asia/Pacific, Europe, the Middle East and Africa.

[3]The 2017 Gartner Firm Profitability Diagnostic assesses wealth management firms' sales and service models to identify unique strengths and opportunities for improving profitability. In addition to profitability, the diagnostic analyzed four key components of firms' overall business strategies: sales enablement, client segmentation, pricing and client service. Participants were from North America, Latin America, Europe, Africa and Asia/Pacific.

[4]The 2018 Client Experience Survey provides insight into important aspects of high-net-worth (HNW) individuals' experience with wealth management firms, including financial sentiment and activities, contact preferences, advisory relationships and product use. Gartner surveyed more than 500 HNW individuals across North America, Europe, Africa and Asia/Pacific to capture a global picture of the HNW experience.