Could your clients’ needs be your competitive advantage?

The experience factor: the new growth engine in wealth management

Global wealth management survey report – complementary Swiss edition
Wealth managers are seeing their clients’ behavior change dramatically. For years, the relationship manager had been a reliable guarantor of client loyalty and new business. But, caught in the powerful tides of technological advancement and changing expectations, the relationship manager’s hold on clients is weakening. Sooner or later, wealth managers will have to come up with new ways of attracting and retaining clients. As the emphatic winners (and unexpected losers) will attest in a growing number of sectors, from retail to telecommunications, intimately understanding what makes customers tick and designing an enhanced customer experience around those insights is key - both for survival and for reaching the next horizon of growth. And we believe that the same holds true in the wealth management industry.

Yet our surveys of both wealth managers and their clients reveals a widening gap between the offerings of the former and the expectations of the latter. In fact, we found that client loyalty is in decline, with over 40% of respondents stating that they would consider looking elsewhere for an enhanced customer experience. Moreover, loyalty is weakest among wealthier clients (with almost 70% of high and ultra-high net worth individuals inclined to switch) and younger generations (with just short of 80% of 18–34 year-olds open to alternatives). In other words, a superior customer experience is becoming a decisive factor in efforts to win and retain clients, especially in the wealthier segments and among the younger generations. In addition, many wealth management clients could be persuaded to try out new forms of investment advice, including robo-advisors, and almost one in five are even willing to pay more or significantly more for such services.

In response to these fundamental changes in the behavior and expectations of clients, wealth managers need to adopt a multi-channel strategy. They need to design an integrated end-to-end customer journey that factors in the full spectrum of touch points with clients, including mobile platforms or social media. But they also need to bolster their offering by building powerful capabilities – including advanced and predictive analytics – that deliver tangible value add in the form of bespoke solutions that outmatch the competition with better returns.

We trust that you will enjoy reading this complementary Swiss edition of our global wealth management survey report. Please do not hesitate to contact us if you have any comments or questions, or if you wish to discuss individual aspects in greater depth.
With our global wealth management survey report, we set out to extract insights on the challenges facing leading wealth managers around the globe. This Swiss edition of the survey highlights the findings of our research in Switzerland and complements the findings of the global report.

We wanted to understand how the move already evident in other industries toward operating models designed around customer experience will impact the wealth management sector. To this end, we took a dual approach that sheds light on the perspective of wealth management firms on the one hand and the expectations of their clients on the other.

Our study combines a survey of wealth management clients conducted by the research institute Oxford Economics and a survey of leading wealth management firms conducted by our senior partners. The tandem surveys were conducted mid to year-end 2015.

End customer interviews:
Total number of interviews: 2004

<table>
<thead>
<tr>
<th>Age</th>
<th>18–34: 552</th>
<th>35–50: 845</th>
<th>50+: 607</th>
</tr>
</thead>
<tbody>
<tr>
<td>AuM</td>
<td>Mass affluent: 50%</td>
<td>HNW: 40%</td>
<td>UHNW: 10%</td>
</tr>
<tr>
<td>Global</td>
<td>Over 14 countries: Germany, UK, Luxembourg, Switzerland, Hong Kong, China, Australia, Singapore, UAE, Saudi Arabia, Brazil, Mexico, Canada, USA</td>
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</tbody>
</table>

Oxford Economics interviewed over 2,000 clients of wealth management firms, which were grouped for better analysis into three age strata (18–34, 35–50, 51+) and three wealth strata:
- Mass affluent (USD 250,000 – USD 1 million)
- High net worth (HNW) (USD 1 million – USD 25 million)
- Ultra-high net worth (UHNW) (USD 25 million+)

We combined the results of this research with the findings from our interviews of leading wealth management firms around the globe, including 14 of the major players in Switzerland (Figure 1).

Figure 1: Overview of survey participants
In the following we take a closer look at six complementary Swiss key findings of our tandem surveys, namely, we found that:

1. Technological advancements and changing expectations are weakening the relationship manager’s hold on clients

2. Clients are increasingly inclined to switch providers for an enhanced customer experience

3. Clients are open to new forms of investment advice, including robo-advisors

4. Wealth managers need a multi-channel experience to meet tomorrow’s customer expectations

5. Wealth managers have yet to exploit the full potential of social media as a customer touch point

6. The ability to synthesize all available client information into bespoke solutions is key

The idea intuitively held by most wealth managers, particularly in Switzerland, that the relationship manager (RM) is the single most decisive factor determining a good customer experience is at odds with their clients’ opinion. In reality, the quality of experience and interaction with the RM is only one of several aspects that clients value more or less equally.

We asked clients and wealth managers what they believe or perceive to be the most important factors defining a good customer experience. Figure 2 below reveals a major gap between clients’ expectations and wealth managers’ perception. Clients have a more balanced view of the spectrum of aspects they consider important when selecting a wealth manager, while wealth managers tend to overestimate the relevance of the quality and frequency of RM interaction. Moreover, the expectations gap stretches to 33% in the case of Swiss institutions.

Figure 2: Importance awarded to various determinants of quality of customer experience, clients vs. global/Swiss wealth managers
A substantial share of clients would consider consolidating their assets or switching wealth managers to seek a superior offering and client experience, and are even willing to pay the same or a higher price for such an enhanced service offering.

We asked clients with accounts at multiple wealth managers whether they would be willing to pay the same or a higher price for an enhanced client service, and if they would be willing to switch wealth manager if it would entail a better customer experience.

As illustrated in Figure 3 below, we found that four out of ten clients are open to consolidating their assets or switching wealth managers in return for a superior offering and client experience, and almost one in five are even willing to pay more or significantly more for such an enhanced experience.

A differentiated analysis by age and wealth strata shows that loyalty is weakest among wealthier clients on the one hand (close to 70% of high and ultra-high net worth individuals would consider a switch), and younger generations on the other hand (almost 80% of 18–34 year-olds could be persuaded to try elsewhere).

Although 58% of clients still have concerns about entering what to them seems unchartered territory, many are evidently ready for the advent of digital wealth offerings, with the remaining 42% indicating that they have no concerns about using digital channels.

We found that well over half of respondents were already familiar with automated advice services. Only 26% of clients pronounced themselves unwilling to use such services, compared with almost three-quarters of respondents who would not be averse to using an automated advice service (Figure 4).
Clients’ preferred channel of interaction will start to blur, shifting from an exclusive focus on the relationship manager (RM) to additionally incorporate digital channels over the coming two to three years. While the RM will continue to play an important role, wealth managers will need to provide a multi-channel experience to meet the customer expectations of tomorrow.

A closer look at the importance awarded to specific touch points reveals remarkable gaps between client expectations and wealth managers’ perceptions. Once more, the biggest gap (25 percentage points) is attributable to wealth managers’ overestimation of the importance of interaction with RMs. Clients seek a far less personal interaction with their RM than wealth managers would anticipate. Instead, their preference is shifting in favor of multiple channels, particularly e-banking and mobile platforms.

Younger generations in particular are keener on and expect more digital interaction. Remarkably, none of the Swiss firms we interviewed see social media as a significant means of interacting with clients. Although, client interest in this touch point is still modest, our research reveals a growing trend – along with a widening gap between expectations and offerings (from 4 percentage points to 5 percentage points within two to three years).

That said, we believe the RM will continue to be a key determinant of success, especially where new technology and service delivery channels are harnessed to upgrade the RM’s capabilities.

**Figure 5: Expectations on/perception of various touch points, global clients vs. Swiss wealth managers, today vs. tomorrow**

<table>
<thead>
<tr>
<th>Touch Point</th>
<th>Today</th>
<th>In 2–3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-to-1 with RM</td>
<td>63%</td>
<td>55%</td>
</tr>
<tr>
<td>Mobile</td>
<td>38%</td>
<td>33%</td>
</tr>
<tr>
<td>Social</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>E-banking</td>
<td>27%</td>
<td>25%</td>
</tr>
<tr>
<td>E-commerce</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>Should</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Wealth managers’ response (Switzerland) | Clients’ response (global)
Wealth managers are doing a poor job of harnessing the power of social media, its potential use cases underdeveloped and neglected. While wealth managers primarily see social media as a practical tool for brand building and corporate communication, their clients see it as an effective means of interacting with banks and peers.

Figure 6 highlights remarkable differences between the perspectives of clients and wealth managers. When asked about the key objectives of their social media presence, 37% of wealth managers said building their brand, but only 14% saw it as an effective touch point for interacting with clients and prospects. In contrast, clients see far more potential in social media for interacting with wealth managers, e.g., connecting with their relationship managers (35%) or rating them (26%).

It is clear from the responses of clients that social media is a channel that wealth managers cannot afford to neglect. But, astonishingly, only 18% of surveyed wealth managers felt that their current social media presence was effective, compared with 36% who considered it outright ineffective (Figure 7).

Listening to clients and understanding their needs and expectations is important. But, as far as clients are concerned, this only creates value if wealth managers can synthesize the information into a customized service experience that delivers tangible results.

Figure 8 below reveals two interrelated gaps between the perceptions of wealth managers (both at a global level and in Switzerland) and clients when it comes to the factors that they believe define customer experience.

Clients are unimpressed by wealth managers’ ability to understand their financial goals, as they feel that it should be a matter of course. Instead, what they value most is an attractive return on their investment. In effect, the customer experience only becomes tangible for clients when the information gleaned by wealth managers is converted into a bespoke service offering that delivers measurable results. This provides clients with a simple metric with which they can gauge the success of their business relationship.

Wealth managers need to evolve their operating models from their current overemphasis on the one-to-one relationship between client and relationship manager toward a forward-looking model that seeks to anticipate client objectives, exceed expectations and generally create a more customer-centric and compelling experience.
Caught in the tides of rapid technological advancement and evolving expectations, relationship managers are losing the standing they once had as the guarantors of good customer experience, especially among tech-savvy and affluent millennials. Increasingly, wealth managers are going to have to come up with new ways of attracting and retaining clients. We believe that creating an enhanced customer experience will be key in this context.

In our tandem surveys of wealth managers and their clients, we found that clients are increasingly willing to switch providers for an enhanced customer experience. In addition, many wealth management clients are open to new forms of investment advice, including robo-advisors - and they are willing to pay for it.

In response to the changing behavior and expectations of clients, wealth managers need to adopt a multi-channel strategy. They need to improve their ability to synthesize all available information from multiple sources into client-centric solutions. To this end, wealth managers need to design an integrated end-to-end customer journey that factors in the full spectrum of touch points with clients, including mobile platforms and social media. But they also need to bolster their offering with back-end technologies - including advanced and predictive analytics - that will deliver tangible value add.

At the end of the journey, what wealth management clients want from their customer experience is bespoke solutions that deliver an attractive return on their investment.