

The wealth management puzzle:

Are your distribution channels capable of giving the HNWIs of the future what they need?



PwC's Wealth Management Insights 2022

Deep Dive I

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Can you predict which of your retail clients will be tomorrow's crypto billionaires or which student account holder will end up inventing a groundbreaking climate solution? Are you even sure that you're giving your existing high-net-worth clients what they want? We all have our hunches, but nobody knows for sure. What we do know is that the channels that everyone from students to billionaires is choosing to manage their financial affairs are converging. Digital – or mobile – first, they want to stay in control but be able to move seamlessly to other sources of information, advice and support as and when they need them.

The practice of pigeonholing clients and the way they're served on the basis of outmoded expectations is starting to look increasingly short-sighted. Could it be time to rethink your approach to be able to give your existing wealth management clients what they need, how they need it – and to prepare the ground for the HNWIs of the future?

In this deep dive, part of PwC's newly launched Wealth Management Insights series, we take a closer look at how financial services providers can set about modifying their distribution channels and the way they're coordinated to meet the whole new set of challenges that are emerging.

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1 Global trends in customer behaviour and expectations

In our Wealth Management Insights survey we identified global trends and shifts in the expectations of clients with regard to the digital services offered by wealth managers. The following trends will give you an idea of how financial institutions will need to transform their approach to wealth management and other client segments.

1: The informed client: the client advisor is no longer the only source of knowledge

Access to information has generally been made easier for customers over the past few years. As a result, they're increasingly well-informed. Mobile devices are becoming first choice for accessing information. According to our Wealth Management Insights Report, in 2021 more than 55% of website visits globally came from mobile devices.

The mobile app is the predominant means of accessing wealth management offerings on a self-service basis. As the Wealth Management Insights Report shows, digital channels are steadily increasing their dominance over physical interactions, and mobile banking has taken over from online banking as the preferred digital channel. While this has so far primarily impacted retail banking, wealth management clients, particularly in the lower HNW and affluent segments,

also expect things to develop similarly – specifically in relation to financing and advisory services. The fact that customers are increasingly willing to embrace self-service is reinforcing this trend.

2: Seamless interaction of self-service and physical distribution channels

Whether clients are seeking advice around wealth planning, investing or financing, they want their wealth manager to fulfil their needs promptly, seamlessly and increasingly transparently. What we call the turntable model of distribution channels (inspired by the circular revolving platforms used for turning locomotives or other vehicles) is an approach enabling customers to seamlessly access the service channel they need at any given moment. Journeys generally start on the mobile or online banking track, with the customer getting first-level support from digital assistants (learn more about our experience with these [self-learning bots in a meeting or demo](#)) enabling them to either complete their journey on the same track or – if this is not possible – to be seamlessly transferred by the “turntable” to a “physical” service centre that makes sure their needs are eventually fulfilled. Given that customer preferences differ, they have to have the chance to switch tracks smoothly at their discretion.



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Digital channels are steadily increasing their dominance over physical interactions.”

Access to a personal client advisor will only be relevant for the most complex and individually tailored services around wealth and succession planning, and comes with a corresponding price tag. As clients in the UHNW and higher HNW segments still rely heavily on personal advice, it's key to empower their advisors with the latest tech self-learning decision-

making support and digital functionalities (such as videoconferencing to bring in experts in areas like mortgages, wealth structuring, crypto and ESG) to maximise value for the client.

The diagram illustrates the key components of the turntable model, the channels wealth managers can use to

deliver banking services and products to customers, and how these channels develop over time.

The turntable model fulfils three key functions. It enables the crucial interaction of distribution channels from online to offline. It gives customers the tools they need to access the wealth management

offering on a self-service basis. And it allows them to switch smoothly between channels where necessary without interrupting their journey.

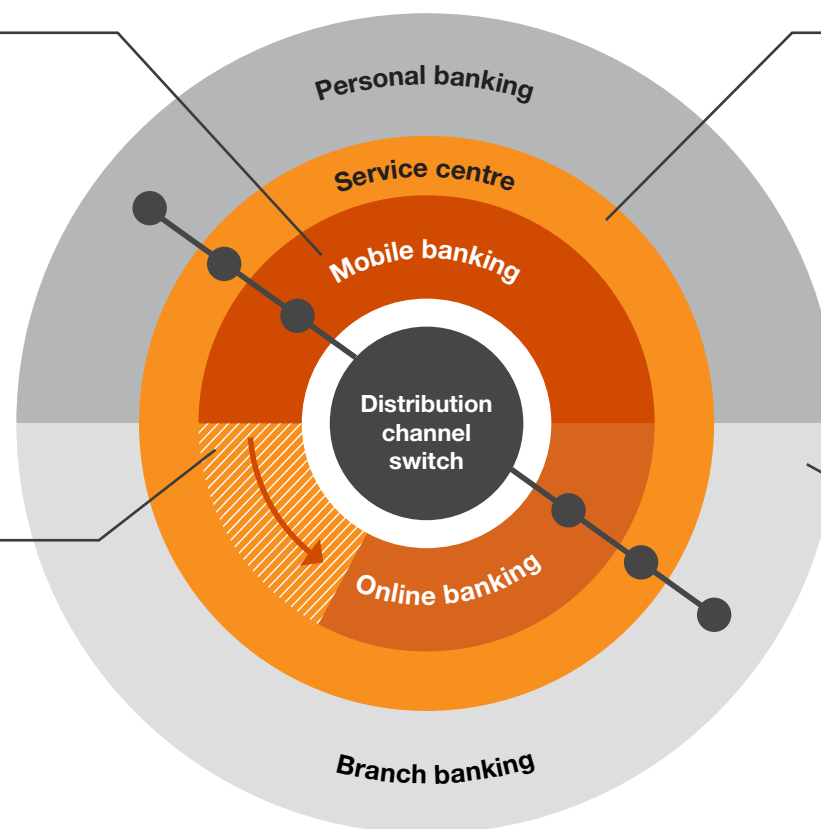
Figure 1: The turntable model of distribution channels

Self-service layer

What has become standard for retail banking clients is now being adopted rapidly in the wealth management sector. Most private banks and independent wealth managers have some sort of online banking services in place for their customers and should consider expanding the self-service channel towards mobile banking.

Trend

Nowadays, around 60% of banking clients make use of mobile banking services. This number is even higher among the younger generations who will make up the future client base of any financial services provider.



Switchboard layer

The service centre should operate as a turntable to guide the customer to the appropriate channel. Products and services that can be handled fully digitally should be routed via online or mobile banking, whereas products and services that need a personal interaction should be directed to a branch or personal banking, depending on the segment and/or complexity of the product or service.

Offline service layer

A personal interaction with the client is still highly relevant in the premium segment. Having face time with a highly demanding client is crucial to satisfy their needs. This requires an organisational and technical set-up able to minimise the client relationship manager's administrative duties.

3: Retail banking's hybrid response to changing customer behaviour

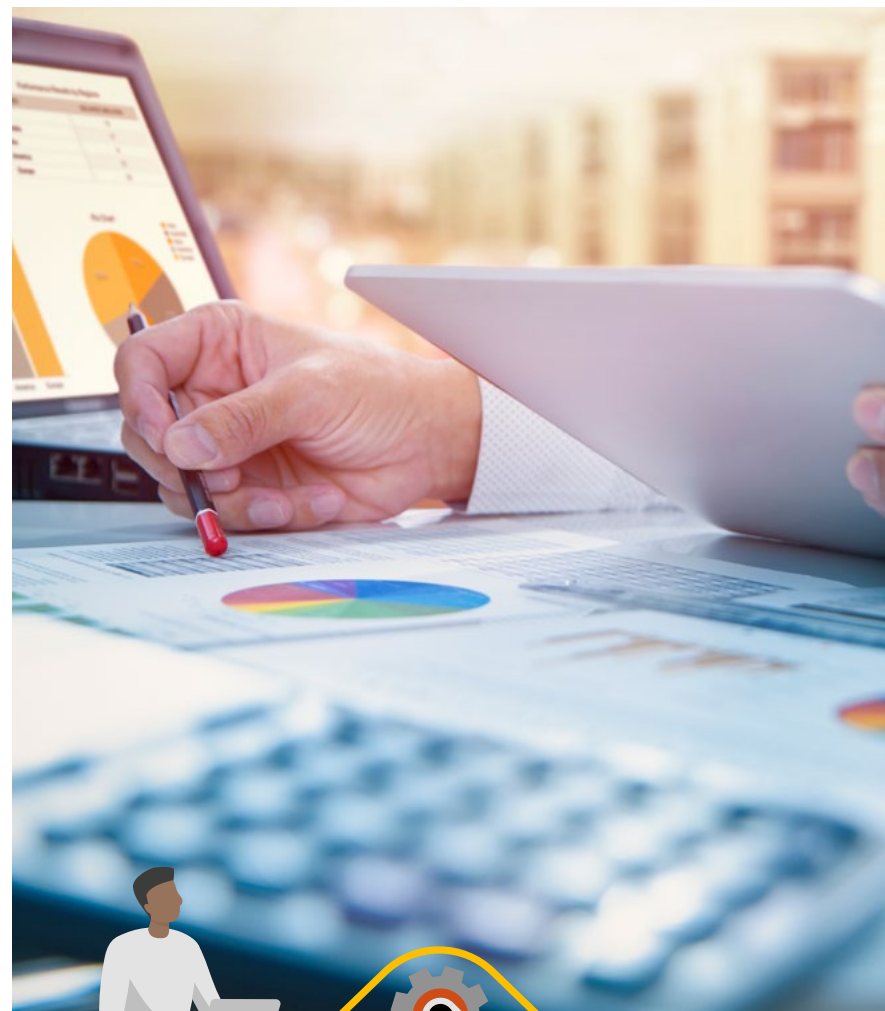
Retail banks have been quick to embark on the transformation to various online channels and extended availability. In the last decade they have transitioned from bricks and mortar and have extended their presence digitally with multi-channel strategies. Many retail banks now offer multiple touchpoints for customers to connect with them. These may include a mobile app, a website, branches, online banking, a service centre, instant messaging services and chatbots.

Wealth managers operating in the higher net worth segments, however, are still mainly focused on traditional interactions with their clients. But as the survey presented in our Wealth Management Insights Report shows, demographic shifts mean that the next generation of high-net-worth individuals will have a clear preference for hybrid banking when it comes to wealth management. To maintain their high-fee business, wealth managers are therefore going to need an efficient hybrid model combining digital and traditional advisory. On the investment side it will be essential – especially when it comes to advisory mandates – to embed digital decision support in mobile investment apps to enable customers to optimise their risks and returns and satisfy new needs such as impact investing, and to improve these digital resources on a continuous basis.

Wealth managers need to be able to offer a state-of-the-art mobile banking app that facilitates seamless channel switches as per the turntable model and thus enables digital client interaction end to end. While trends suggest that features such as e-signature and contract management are inevitable, other often discussed functionalities such as account aggregation (a single client account view across multiple banks) are more disputed. While they seem to resolve an issue in a country like the US with a higher number of banking accounts per customer, European clients often purposely have multiple banking relationships. The full potential of such a feature could only be unlocked if an institution were able to offer investment advice across the aggregated portfolio.



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2 From old school to hybrid: laying the foundation for a future-ready distribution set-up



With these trends in mind, let's now look at the key impact areas that wealth managers will need to address when transforming their distribution channel model to serve changing client needs:

Focus on self-service: Wealth managers need to provide state-of-the-art technologies such as mobile banking apps for self-service. A mobile banking app should provide a smooth three-factor identification-based login and access to services fulfilling the customer's needs around payments, checking account balances and – increasingly – borrowing/financing and investing. By embedding digital signature features at the relevant levels of trust as per local regulations (e.g. ZertEs in Switzerland and eIDAS in the EU), the problem of seamless digital contracting and contract management can be resolved too. When self-service support is done right, it allows the customer to find information quickly, reduces the number of calls and emails your service centre or personal banking team receives, and, most importantly, creates a better customer experience.

Seamless channel switching: With customers demanding products and services

across devices through a variety of channels, it has become difficult for banks to maintain consistency. Processes and technologies must change to provide a consistent experience across all channels. For example, mobile banking apps often do not actively propose a channel switch early enough when a customer runs into an issue. Here AI-based mechanisms will be able to detect dead ends in the customer's journey more quickly and actively propose channel switches to maintain a high level of customer experience.

Availability of data: Even though the survey conducted for our Wealth Management Insights Report reveals that mobile-first banking will prevail, even for traditional wealth managers, it's imperative to enable a seamless customer journey along all distribution channels. A set-up enabling seamless channel switches needs a foundation in the form of the instant availability of all current data from all channels. This can be achieved by implementing a homogeneous data layer that consolidates all data from all channels on an ongoing basis and making it available to all channels at all times.

Unified customer engagement strategy: Most wealth managers have a legacy of independent digital channels and develop each of them individually without an overall channel strategy. These solutions cannot cope with today's client expectations to allow the kind of seamless customer journey across channels that leading customer service platforms can provide. Wealth managers tend to focus on improvements to individual channels but lack a unified customer engagement strategy to enable seamless client experiences. The problem is exacerbated by the fact that this approach is often implemented via multiple systems for every single channel as opposed to a unified customer engagement solution.

In our view, what wealth managers need is a state-of-the-art approach that can provide a personalised and integrated experience across diverse touchpoints and devices. This unifies sales and marketing so that the customer can jump between channels to seamlessly continue their journey with a financial services provider.

The statistics show that 90% of consumers switch channels and devices throughout their interactions with a bank. With this in mind, the channel strategy needs to ensure that customers don't get lost or drop out when switching between channels: everything should be integrated for a better user experience.



3 How we can help you make your distribution channels capable of giving the HNWIs of the future what they need

PwC has recently helped many traditional wealth managers adapt to shifting client needs and behaviours by making a successful transition to a more self-service approach. This proves that a greenfield approach to an existing legacy environment ('green on brown') can have huge potential when done right. On the basis of this positive experience with clients, we can provide you with a guide to optimising your distribution channel model.

Setting up an effective product/channel matrix

The first step is to work with you to develop an individual product and channel matrix as the basis for your overall channel strategy. This results in target customer journey for each prod-

uct and service cluster. In this exercise we will leverage our process intelligence method, a proven approach for systematically identifying channel preferences and supporting your decisions on the channel strategy.

As serving wealth management clients with the right product/channel mix may at times become complex, the following framework shows some examples where mobile-only or even hybrid channels may be feasible.

Bear in mind that the complexity of a product isn't just a function of the complexity of the product itself, but also depends on the client's perception and the volume of the transaction.

For example, whereas a mortgage for a client adding another property to their portfolio may be of medium complexity, the same product can be highly complex for a first-time home buyer.

Guidance on achieving a successful hybrid banking set-up

Finding a feasible path to a hybrid banking set-up requires a rethink. You're going to need to introduce new offerings without going beyond what's feasible or scaring away traditional customers. The good news is that with clear strategies, new concepts and business models, as well as consistent transformation within the organisation, the path to becoming a hybrid bank is also viable for traditional financial institutions. By combining the best from the world of traditional banking with new digital banking business models, you can give your different customer groups a choice. Offline and online offerings are available which can run on individual channels or combined. The hybrid bank is often the pragmatic response of established financial institutions with history and tradition to changes in markets and customer groups.

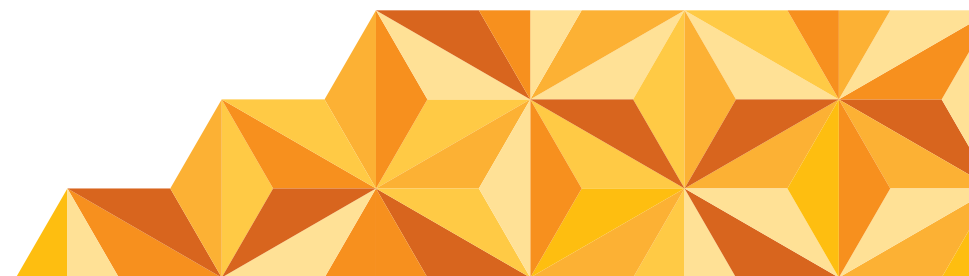
We can draw on our experience in transforming traditional wealth managers into efficient hybrid banking organisations to support you along your journey to a holistic distribution channel strategy.

We can help you:

- Critically review your current distribution channel model and identify areas for improvement
- Compare your current set-up with state-of-the-art hybrid banking solutions
- Evaluate your technical architecture and set-up to ensure data quality and availability as the basis for a seamless exchange of information between all distribution channels
- Align your individual distribution channels to create one seamless and unified strategy with one common technical and operational foundation

Figure 2: Customer – product – channel matrix

		Customer	
		Simple	Complex
Product/need	Simple	Distribute products predominantly via mobile banking and satisfy client needs on a self-service basis.	Make sure complex wealth management clients profit from the same self-service experience as affluent or retail clients, mainly through mobile banking .
	Complex	Deploy a hybrid banking solution where client preferences are met while keeping an eye on the channel costs. Where necessary, guide towards personal advisory.	The most cost intensive channel, personal advisory , should focus on the most profitable clients or those with the highest potential to satisfy their most complex products and needs.



Developing a state-of-the-art mobile banking experience

We at PwC believe that the distribution channel model of the future will be mobile-first paired with a hybrid advisory solution. This means that customers will have many services and products at their fingertips. However, for certain products and services it will still be crucial to offer the option of personal interaction via a video or phone call. We think that if you understand how to guide your client to the digital channel that best fits their current need, and enable them to switch to a physical channel when and where needed without interrupting their journey, you'll be ahead of your peers in the coming years.

We at PwC have successfully co-created state-of-the-art mobile banking apps for wealth managers around the globe. The importance of a clear-cut customer experience and the option of self-service support, paired with a seamless transition to physical channels, has always been the focus. Our experience from the specific digital and hybrid projects we have worked on will give you valuable insights into how to approach the overall goal of a personalised and integrated experience across diverse touch-points and devices.



In summary: wealth managers need to transform their distribution set-up

The perceived boundaries between retail banking and high-net-worth wealth management clients are blurring – not just in terms of the products and services they favour, but also the channels they choose for information, advice and support on these offerings. To prepare for the future, wealth managers need to create multiple, seamlessly connected channels led by mobile but also providing high-value-adding personal advice as and when their clients need it. In short, they need to go hybrid.

Feel free to contact us if you're seeking to get your distribution channels up to speed or unlock optimisation potential.

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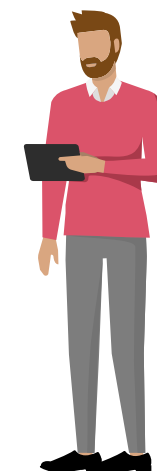
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