

TECHNOLOGY

SURFING THE WAVE OF WEALTH MANAGEMENT

Exploiting the opportunities of Wealth and Investment Management sector growth requires a strategic paradigm shift, explains Luigi Marciano, CEO of ObjectWay



Luigi Marciano CEO

■ Up until now, Wealth and Investment Management (WIM) has been a fairly stable business in all the key areas such as market evolution, client behaviour, investment performance, competition, regulation and technological innovation.

However, a series of different factors are reshaping this industry. Firstly, demography and wealth distribution are changing. As the over-64 world population holds around 34 percent of wealth, mortality and inheritance will globally shift an estimated \$18 trillion market to a new generation of people. Another 30 percent of wealth will be owned by the baby boomer generation, currently aged approximately 55 to 64. They will gradually shift from accumulation mode to retirement mode, and will be quite equally distributed in Europe. In the USA, Asia and Pacific regions, they will also bring new needs into the market place.

A second factor stems from the global financial crisis of 2008. Poor investment performance, increasing onshore and offshore competi-

tion and new regulations - such as MIFID in the European Union - have dramatically changed the scenario for the WIM sector. Clients have become much more careful and selective about financial service providers. These changes have had a strong impact on investment protection and risk management strategy and decisions.

Additionally, the fast pace of technology evolution is radically changing the way relationship managers, advisors, private bankers and clients interact. For example, computing platforms are quickly shifting from the web client oriented to mobile operations. The use of smart phones and tablet devices is increasing rapidly. It is estimated that the end of 2011, there will be 400 million users, with this figure likely to double over the subsequent three years.

As a result, clients will challenge the financial advisors with radically new expectations in terms of product needs, service demands, customer relationship and experience. A high performance WIM strategy will therefore re-

quire two main imperatives: a shift to an advisory approach to clients using targeted business models, and the adoption of a new information technology platforms.

AN ADVISORY APPROACH TO CLIENTS

Financial sector operators need to focus on a new set of actions. These include:

- » developing a broad and deep knowledge of client's values, risk attitude and priorities;
- » creating new tailored product and service bundles;
- » shifting the paradigm of WIM professionals from relationship managers to trusted advisors;
- » investing in traditional and innovative distribution channels; and
- » improving each client's relationship and experience by enhancing integration and personalisation across different channels.

In order to keep up with the changes and implement a high performance WIM strategy,

tailored business models become essential for specific customer segments. The first level of differentiation is between the Private Wealth Management and the Retail Advisory Sales business model.

The Private Wealth Management business model targets three sectors with tailored operating models. The first, Affluents, requires an assessment and a financial planning process using an underlying open product catalogue architecture approach. Financial advisors should quickly understand the client's balance sheet, their needs, the risk profile and potential investment approach.

High Net-Worth (HNW) is the main target area of all private banking operators, and demands a sophisticated and tailored global advisory service. Their trusted advisor should be able to deliver holistic, integrated investment advice, spanning across asset allocation and drawing upon outside expertise in areas such as legal, trust, tax optimization.

Finally, the Ultra High Net-Worth (UHNW) sector represents the top level private banking operators. This requires a trusted advisor delivering an integrated exclusive investment advisory service, spanning across asset allocation, real estate, corporate management, arts and philanthropy and draws upon outside expertise in all these areas.

Retail Advisory Sales business model addresses retail customers who ask for basic products focused on their needs, such as loans, mortgages, saving products and 'simple' investment solutions. The challenge is to set up a 'light' advisory service with a low cost-to-serve approach, which enables the relationship manager to exploit the combination of bank subsidiary face-to-face channel and internet client portal channel to easily and quickly map customer needs and serve them with the right blend of banking products.

HIGH PERFORMANCE NEEDS INNOVATIVE SOFTWARE

WIM information technology platforms must change from the current conventional application 'silos' to a single integrated platform. ObjectWay has therefore designed and delivered ObjectWay Financial Software Platform (OFS) in order to support this.

From a business perspective, OFS platform is a suite of specific business applications, which work together to support each process area of the WIM lifecycle. From a technology perspective, business applications and components share a common data model, integration and infrastructure layers. OFS therefore enables the financial institution to implement the key success factors of an effective service and operational model.

OFS also offers comprehensive support of the whole WIM process, from the client and contact management through to order fulfilment. The software offers real-time access by both the financial institution staff and clients to an all-embracing and unique spread portfolios and products.

For advisors, the analytical tools within OFS help develop a deeper, more predictive insight into customer needs allowing advisors to gain a unique view of the customer and a context-based understanding of their needs, not easily replicated by competitors. Advisors also have a powerful integration between decision-making systems, execution systems and channels.

This system generates several business benefits, making it easier to acquire and retain customers, improve customers experience, increase efficiency and reduce costs. These factors are vital for serving all customers, from the largest retail and Affluents segments to the smallest HNW and UHNW clients, even if the work is complex and sophisticated.

These business applications are available to the financial institution staff and the clients across different sales channels, whether advisors, branches, service centres, internet, and through various interfaces, such as the web, tablets and smartphones. In the last year ObjectWay has extended the OFS with a set of mobile business applications, OWealth Portfolio and OWealth Studio, to support both advisors and clients.

Three business solutions are currently available through OFS:

» OFS Private Wealth Management: designed for high and ultra high net worth customers and focused on a global advice approach. It supports global portfolio accounting, analysis and performance attribution, personalised asset allocation strategies and tax optimisation

» OFS Premiere Wealth Management: tailored for affluent customers and focused on the client's accounting and advice in terms of financial planning, portfolio allocation, retirement management and health management.

» OFS Advisory Retail: for retail customers and focused on customer data aggregation, household budget and needs analysis. The software features specific simulators and estimators for loans saving products, life insurance, pension gap analysis, retirement fulfilment and simple investment products. The whole sales process is included in the solution, from the proposal to the contract signature.

These platforms are customised by ObjectWay for each financial institution with a collaborative approach, to obtain a tailored application platform that implement the institution specific operational model according to its positioning, its product and service offering and its organisation.

THE CHOICE FOR SUCCESS

ObjectWay has supported several private and retail banks in Europe, including Barclays and Unicredit-Fineco, reshaping and tailoring their wealth management services.

The implementation of the OFS platform allowed Barclays PLC to promptly enter the affluent wealth management market segment in Europe in just a few years. According to Euromoney's 2011 Private Banking and Wealth Money survey, Barclays was able to reach a

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position in the first top 10 global banks for the first time and has won the super-affluent category in Western Europe.

Barclays PLC adopted the OFS Premiere Wealth Management business solution to support the financial advisory services in the Western Europe Division. This focused on Italy, France, Spain and Portugal and met with the requirements of the MIFID directive. Using a unique platform, Barclays set up the service in these four different countries, according to the business needs of each country native languages and idioms and fully integrating the solution with the bank's core legacy systems.

Fineco, part of the Unicredit Group and an Italian leader in advisory services, has implemented OFS Premiere Wealth Management Business Solution in Italy. Fineco delivers independent and strong qualified advisory services on a fee-only base. Fineco Advice is based on a multi-brand open architecture product catalogue and on a direct processing of analysis, recommendation and order execution process, with each customer receiving a tailor-made solution according to the individual objectives and risk profile.

The winning approach to WIM therefore as demonstrated by these successful examples, is to select and adopt cutting edge technology that is able to support the new customer relationship and experience model. ◊