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TRANSFORMING  
BRAND  
HORIZONS

# Wealth management and the digital revolution

A NUCLEUS REPORT

SEPTEMBER 2018



# What is on wealth managers' minds?

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# The transforming wealth management landscape

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With digital disruption ripping through so many industries, wealth management is exposed to transformational change on many fronts, with evolving client needs, tougher regulations, pressure to reduce costs, and a shifting landscape increasingly shaped by digital disruptors.

If Artificial Intelligence (AI) can beat expert lawyers reviewing complex documents\*, what impact will these technologies make on wealth management? According to a recent EY report on digital disruption in the sector, most high net worth clients would already swap a relationship manager for better digital capabilities.

While most private banks and wealth managers recognise the need for change, many are still not embracing it, choosing instead to rely on dated business models, legacy technologies or an M&A strategy to win the race for safety in scale.

As Silicon Valley giants consider offering TechFin services and agile FinTechs cherry-pick specific products, the financial services playing field is being reshaped. Incumbents must not only grow AUM, they must transform their business models, reduce costs, sharpen their value propositions and improve their user experience before the disruptors eat their lunch.

Digital transformation is especially important because the next generation of investors - many of them tech entrepreneurs – spend their wealth on luxury brands and have high technical and design expectations. They do not understand why traditional private banking and fund management remain so ‘analogue’.

All these factors represent urgent challenges that leaders of private banks and wealth managers must grasp and resolve if their brands are to prosper in a transforming wealth management landscape.

Nucleus is a financial brand and digital specialist, working with banks and financial services providers on a wide range of strategy, innovation, design and IP challenges.

We help brands imagine new futures and transform to compete in the global digital economy with meaningful brands, powerful value propositions and best-of-breed user experiences.

This report identifies the forces of change buffeting the world of private banking and wealth management and outlines key areas for management to address.

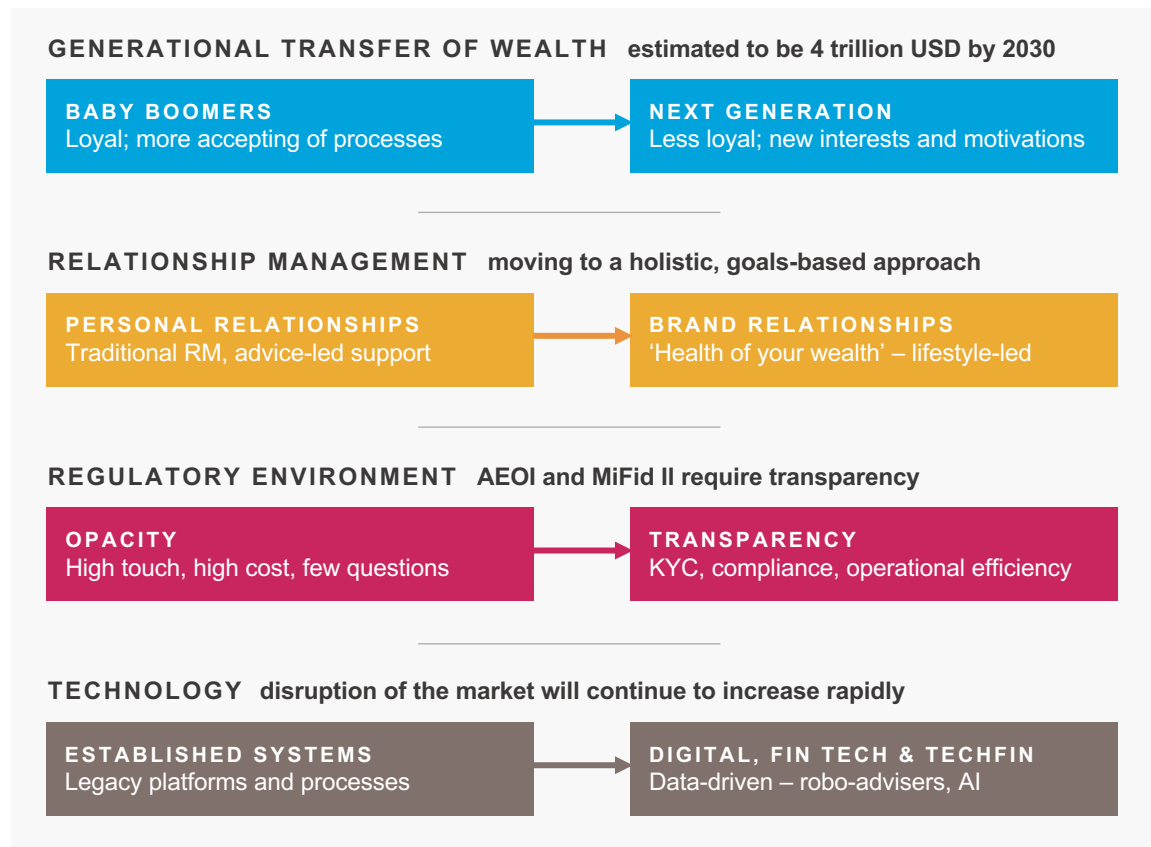
*\*A recent competition by legal Artificial Intelligence platform LawGeex, in consultation with law professors from Stanford University, Duke University School of Law and University of Southern California, pitted 20 experienced human lawyers against an AI trained to evaluate legal contracts. They all read a series of non-disclosure agreements with deliberate loopholes included. The results showed the humans achieved an accuracy rate of 85% and the AI 95%. The humans took an average of 92 minutes to complete the task, the AI 26 seconds...*

# Four disruptive trends impacting wealth management

We see four overarching trends disrupting private banking and wealth management. Together, they are driving transformational change:

1. The new creators and inheritors of wealth have very different attitudes to wealth than baby boomers. Banks must adapt to their more individualistic requirements
2. At the same time, NextGen clients are demanding simple, real-time services and are less convinced of the value of traditional relationship management
3. Regulatory changes require increased transparency and greater compliance, increasing costs and reducing margins, so efficiencies must be found elsewhere
4. Disruptive technologies are threatening incumbents, who have been slow to invest in their platforms or offer personalised digital services

These forces of change are disrupting the industry and while some recognise the threats, many are simply shoring up existing positions or seeking scale as an M&A-led response to the trends



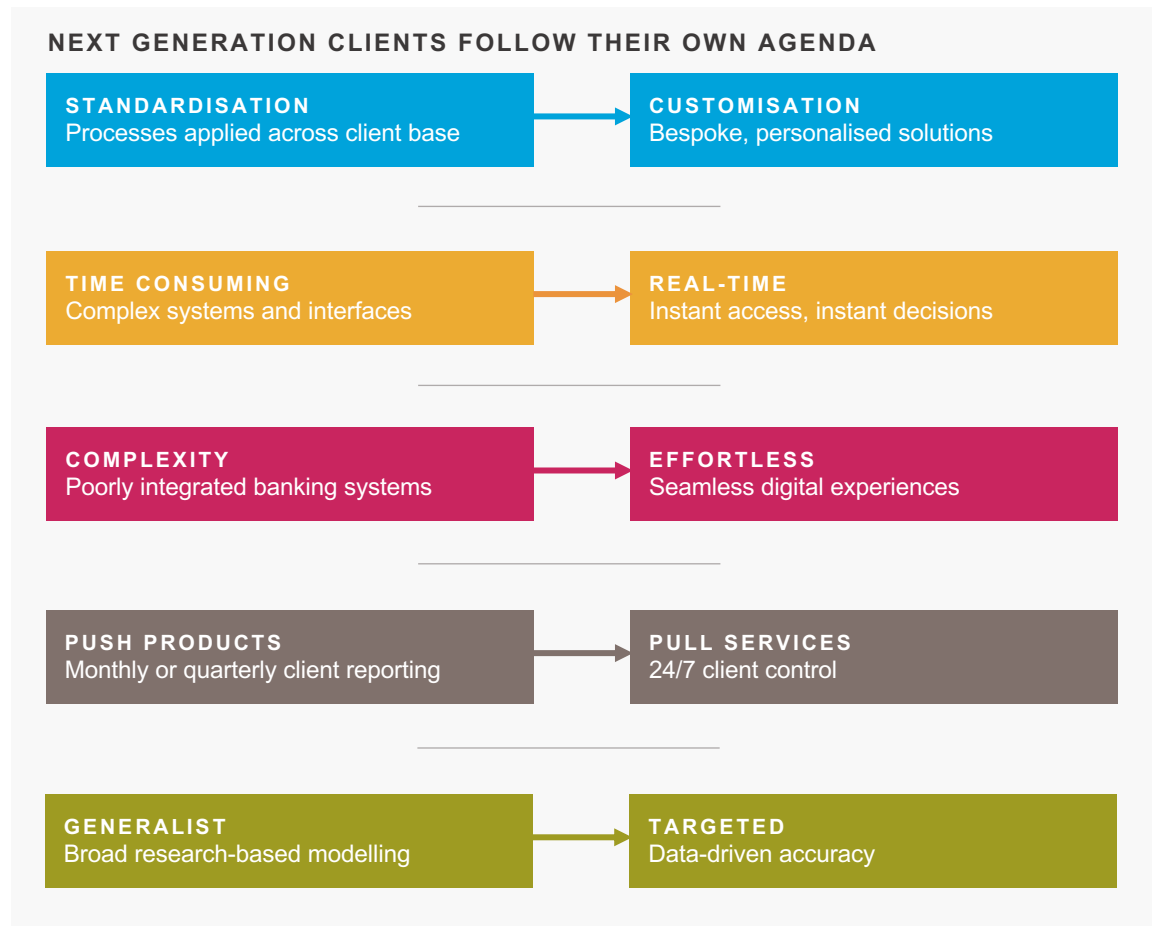
# The balance of power is shifting to the next generation

The next generation of clients will determine the future of wealth management. Their agendas, lifestyle goals and preference for apps and self-service will force reinvention of the way wealth managers interact with them.

Millennials, especially, will challenge principles such as loyalty – their scepticism of conventional financial services, their requirement for ‘real time’ feedback, effortless digital access, and their increasing desire to invest in non-traditional products, such as passive funds, private equity and ethical investments, will change fund management.

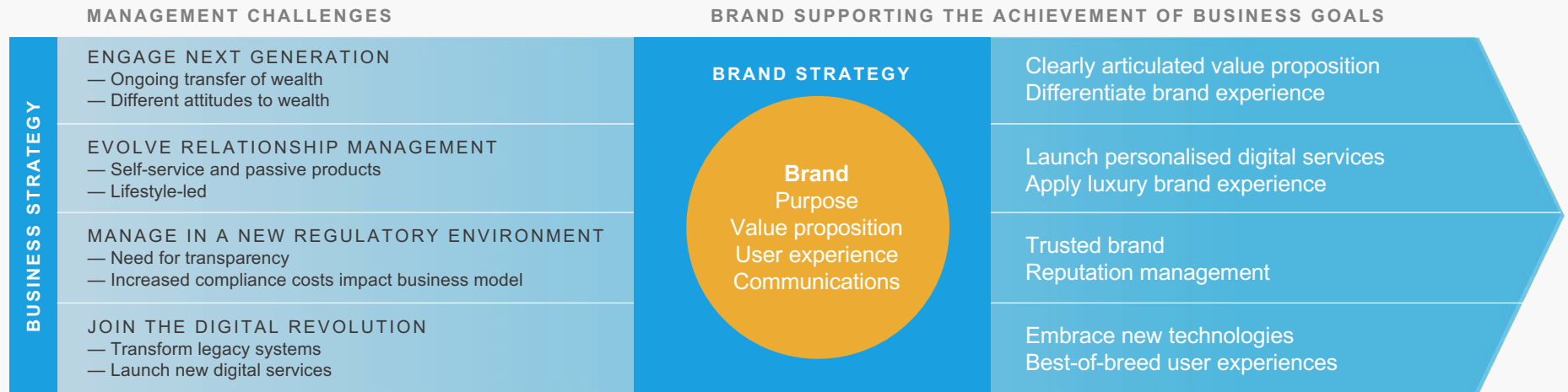
As automated passive investment products and AI solutions take hold – Fidelity launched its first zero-cost funds in August – the requirement for human advice will reduce, especially from ‘non-experts’. NextGen clients will only pay for highly personalised advisory services, such as wealth structuring and generational planning, whilst gathering other intelligence online.

NextGen clients are still likely, however, to value the ‘wealth networks’ and contacts wealth managers can facilitate.



# Brand: a catalyst for transformational change

Successful brands stay close to their customers and offer engaging value propositions that resonate with the target audiences' changing needs



Brand strategy must align with business strategy to support the achievement of corporate goals, but the branding process can, in itself, become the catalyst for change – engaging leadership and employees to articulate a new purpose, vision and mission

## Meaningful brand propositions are essential for success

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A brand proposition (also called a value proposition) is the articulation of a company's promise to its clients, employees and other stakeholders.

When articulated fluently, a brand proposition is a powerful and valuable asset, which communicates the brand's true strengths and differentiates from peers and competitors.

However, many wealth managers have done little to give meaning to their brands. Most mistakenly believe that they have unique propositions when, in fact, there is a widespread lack of differentiation and opportunities for competitive advantage are being lost.

In a climate of decreasing loyalty and increasing technology innovation, this is a dangerous place to be.

Furthermore, in a fast consolidating market an acquirer's brand and corporate culture must also be valued by the acquisition's stakeholders. Claiming aspirational or unrealistic USPs will not wash with informed audiences, and a wrong match of brand cultures risks the acquisition's relationship managers leaving – taking their clients with them.

In 'Dare to be different', Oliver Wyman and Deutsche Bank report that wealth managers with value propositions fully aligned with their business strategy have higher average gross and pre-tax profits than their peers, and more potential for reducing cost-income ratios.

*“Comparing leading Wealth Managers' strategies, visions, offerings, global footprint, and marketing materials reveals that the same 'unique' value propositions are found across most; a strong client focus, advisory excellence, global reach, and a broad and superior product offering.”*

Global Wealth Managers  
Dare to be different  
Oliver Wyman / Deutsche Bank, 2018

## Technology must place clients' needs at the centre of every process

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We are in the midst of a Digital Revolution, where disruptive technologies are now challenging the professional classes, evidenced by AI already being more accurate and much faster at reviewing legal contracts than expert lawyers or eye specialists diagnosing scans.

Similar technologies are impacting the business of wealth, so transformational change is urgently required, starting with the business model and continuing right through to the day-to-day customer experience.

Investment in technology is essential from back-end banking platforms and online trading, to client reporting and personalised customer apps. Each investment decision requires a clear strategic intent, meticulous planning, an aligned service model and a deep and holistic understanding of customer expectations in a mobile-first world. Simply bolting on a few mobile services will not suffice.

While innovation is required, alternatives to building one's own digital back-end technology platform include lower risk SaaS and BPO services from specialists. But out-of-the-box solutions are unlikely to differentiate, so customising the front-end, including developing specialist apps, is essential. Partnering with start-ups to create innovative new services is another possibility.

The challenge is to determine how to meet changing client expectations, reduce costs and manage risks, while keeping clients at the core of a digital business model.

Whatever the technology solution, a consistent brand experience will always be key, which, if carefully designed, can to some extent compensate for a less than seamless technology 'stack'.

*“The influence of digital technologies – from robo-advisers to online accounts – means clients have unparalleled choice in how they manage their wealth. To drive profitable growth by 2020 and beyond, banks must invest today in the digital technologies and platforms that can help them achieve the next level of digital wealth management.”*

The Human Dividend  
Accenture, 2017



## Six big questions for wealth managers

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### WHAT BUSINESS ARE YOU REALLY IN?

Can you succinctly describe why your brand deserves to exist in five years' time?  
How many peers and competitors would say the same thing?

### HOW WELL DO YOU KNOW YOUR CLIENTS?

Are you in tune with their changing needs and preferences? And how will you win over the NextGen wealthy who will determine your future?

### CAN YOU BE A SCALE PLAYER OR DO YOU NEED TO OWN A MARKET NICHE?

Do you have the financial firepower to be a top twenty wealth manager, or do you need to find your own niche? If the latter, which niche?

### HOW WILL THE DIGITAL REVOLUTION IMPACT YOUR CURRENT STRATEGY?

Have you fully considered the impact of AI, TechFin and agile FinTech start-ups on your business, or are you hoping these threats won't materialise?

### HAVE YOU SIGNED-OFF A PLAN TO TRANSFORM YOUR TECHNOLOGY PLATFORM?

Will this plan take you to where you need to be to survive beyond the digital revolution? Does it cut your operational costs? Does it address the needs of clients and prospects?

### IS YOUR BRAND AN ASSET OR A LIABILITY IN A CONNECTED DIGITAL WORLD?

A brand is not a logo. It is the encapsulation of the business' promise to all its stakeholders, a comprehensive system that provides consistently compelling user experiences across all touchpoints. How does your brand measure up?

*“Things will look very different in five to ten years' time. Fewer firms will manage far more assets significantly more cheaply. Technology will be vital across the business.*

*With change accelerating, all firms must decide how they will compete in tomorrow's world. Will they be scale or niche players? How will they become more productive?*

*In our view, asset and wealth managers must act now.”*

Asset & Wealth Management Revolution  
Embracing Exponential Change  
pwc, 2017

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How can we help?

## We create world-class brands for the digital world

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**Brand Promise** persuading a prospect to become a client requires a convincing value proposition. We distill brand purpose, create new names and define compelling value propositions

**Brand Experience** brings a brand promise to life across all media. We architect, design and build distinctive brand identities and user experiences calibrated for the connected digital world

**Brand Asset Management** will ensure your brand assets are managed within guidelines, protected with global trade marks and supported with best-of-breed websites and apps

## 20+ years of banking and wealth management experience

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### 1997 ONE OF THE FIRST INTERNET BANKS IN THE UK

Information architecture and user experience for an innovator in online banking

### 1999 GLOBAL INVESTMENT BANK

Brand strategy, naming and identity for an acquisitive global investment bank

### 2004 GLOBAL UNIVERSAL BANK

User experience design for global business banking applications

### 2006 FINTECH START-UP

Business concept, technology platform, brand strategy, websites and apps

### 2008 INTERNATIONAL PRIVATE BANK

Repositioning as a wealth management firm with fresh brand promise and identity

### 2009 INTERNATIONAL INVESTMENT BANK

Value proposition and identity system for a global financial advisory firm

### 2010 RETAIL ONLINE DEPOSIT BANK

Brand naming, identity and online portal for a UK deposit bank

### 2015 GLOBAL WEALTH MANAGEMENT BRAND

Creating a single global wealth management brand for a top 5 European bank

### 2017 WEALTH MANAGEMENT APP

Information architecture and user experience design for wealth management app

### 2018 WEALTH MANAGEMENT TECHNOLOGY PLATFORM

Rename, reposition and rebrand a leading banking technology provider

### 2018 UK ONLINE DEPOSIT BANK

Brand strategy, proposition, websites and app for a UK challenger bank

*“As well as our work with banks and wealth managers around the world, we also advise luxury goods and 5-star travel brands, so we understand the lifestyle preferences and expectations of today’s new wealthy.*

*We closely observe the business of wealth and monitor how it is changing and see wealthy Millennials having very different attitudes and preferences to their parents, driven by technology and social media.*

*Our motto has long been ‘your brand is your business; your business is your brand’ and this has never been more true than today.”*

Peter Matthews  
Nucleus  
2018

## The report authors

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### **PETER MATTHEWS FOUNDER & CEO**

Peter is Nucleus' founder and CEO. For over thirty years he has led the company, advising C-level management on innovation, brand, digital and IP strategy, and also leads Nucleus' own ventures: sQuid and Luxury Explorer.

He is a 'big ideas' designer, who has combined business acumen with creativity consistently throughout his career. Because he is still actively involved in advising clients on brand strategy, naming and brand and digital experience, Peter brings a unique perspective to every project, ensuring all Nucleus clients benefit from his insights into transforming brands and capturing value through the Digital Revolution.

In financial services, Peter has led projects for Azqore, Crédit Agricole, First Direct, HSBC, NatWest, Rothschild and sQuid.



### **DAVID GILBERT HEAD OF BRAND CONSULTING**

David is our head of brand consulting, with extensive international experience in financial services – from defining brand strategy, value propositions and brand naming through to managing implementation of global brand systems.

His career has focused on the creation, naming, implementation and management, ranging from innovative start-ups to multinationals needing to refresh their propositions and brand systems.

David's role within Nucleus encompasses brand promise, naming, propositions, identity, architecture, guidelines and implementation across all channels. He has worked with most of Nucleus' financial services clients including leading the relationship with Rothschild since 2008.



### **LIA SCHNACKENBERG BRAND ANALYST**

Lia is a brand analyst and consultant working on a variety of brand + digital projects for financial services clients within Nucleus' portfolio. She has previously held roles in a range of industries, including luxury, and enjoys harnessing both her analytical and creative capabilities in order to deliver optimal, customised solutions for clients.

Lia holds a bachelor's degree in International Studies and a master's degree in International Marketing. Having grown up in the U.S. and East Asia, she is fluent in Mandarin and is proficient in Japanese. Her international experience enables her to tackle projects with a unique perspective.

Her work at Nucleus has included developing the brand proposition and digital experience for a new UK challenger bank.

# Wealth management and the digital revolution

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