



# ASIA-PACIFIC WEALTH REPORT 2018



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# Preface

Asia-Pacific continued its growth trajectory in 2017, extending its lead over other regions for high net worth individual (HNWI) population and wealth.<sup>1</sup> A stellar performance puts the region on a comfortable path to surpassing US\$42 trillion in HNWI wealth by 2025, as we projected in the World Wealth Report 2016.

Despite high return on investments, Asia-Pacific HNWIs' satisfaction with their wealth management firms remained significantly lower than that of their counterparts in the rest of the world. This dissatisfaction may stem from unmet demands for holistic wealth services and customized solutions, as well as discomfort with what they perceive as high fees for the quality of services delivered.

In addition to high returns and the delivery of sophisticated services, a strong personal connection between HNWIs and their wealth managers is critical to enhanced client satisfaction. Wealth management firms need more innovative approaches to targeting, retaining, and building client relationships. Considering that HNWIs in certain markets have higher willingness to adopt new ways of choosing a wealth manager, firms need to prioritize these markets to provide focused solutions.

With increasing trend of wealth consolidation among many HNWIs, robust personal connections may put managers in a good position to convince clients to increase their firm-managed assets. The likeliness of assets under management (AUM) consolidation increases when HNWIs feel strongly connected to their wealth management firms.

Technological advancements and HNWI demand for hybrid advice have encouraged wealth management firms to embrace hybrid business models.<sup>2</sup> Most Asia-Pacific firms are making progress, but full hybrid-advice transformation remains a future state. HNWI satisfaction with hybrid services dropped year over year, so clearly work remains to be done.

These days more and more BigTech firms are exploring financial services opportunities and Asia-Pacific HNWIs are becoming increasingly curious about BigTech wealth management offerings.<sup>3</sup> This is why – now more than ever – hybrid transformation is competitively critical for established wealth management firms. Clearly, the probability is high that Asia-Pacific (excl. Japan) HNWIs will consider turning to BigTechs to meet their dynamic wealth management needs.

As BigTechs begin to compete in the wealth management space more aggressively, multiple entry scenarios and models may emerge. The question is, how will incumbents respond to the industry's changing dynamics?

We hope you find the Asia-Pacific Wealth Report 2018 to be useful in mapping short- and long-term strategies.



**Anirban Bose**

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<sup>1</sup> HNWIs are defined as those having investable assets of US\$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables

<sup>2</sup> We define hybrid advice as "Putting clients in the driver's seat by allowing them to tap into life-stage and need-based wealth management and financial planning capabilities in a modular, personalized, pay-as-you-go manner."

<sup>3</sup> BigTech is a general term for data-driven tech firms not traditionally present in financial services: Amazon, Google/Alphabet, Alibaba, Apple, Facebook, and Tencent



# Executive Summary

## Asia-Pacific Continues to Fuel Global HNWI Population and Wealth

- Asia-Pacific powered global HNWI population and wealth growth in 2017, generating 41.4% of all new global HNWI wealth
- Emerging markets were the Asia-Pacific growth engine, driving more than half of regional wealth growth<sup>4</sup>
- In alignment with global trends, Asia-Pacific ultra-HNWIs accelerated population and wealth growth
- Asia-Pacific HNWI wealth is forecast to surpass US\$42 trillion by 2025, fueled by the Emerging Asian markets

## Customer Intimacy is Key to Firms' Understanding of Holistic HNWI Demands

- Satisfaction levels remained muted (below 70%) for Asia-Pacific (excl. Japan) HNWIs
- Lack of holistic services offered by wealth management firms and concern over value delivered for management fees charged were significant HNWI disengagement factors
- A strong personal relationship with clients is critical for wealth management firms, seeking to improve HNWI satisfaction
- Robust client intimacy will help wealth managers capitalize on the industry's ongoing asset consolidation trend

## Firms Embrace Hybrid Transformation, Yet HNWIs Interested in BigTechs

- Despite challenges, wealth management firms in the region have made significant progress in ramping up their hybrid transformation activities
- Amid BigTech threats, the urgency to accelerate hybrid advice transformation programs is critical, especially in Asia-Pacific (excl. Japan)
- Multiple entry scenarios exist as BigTechs enter the wealth management industry, with partnership/frenemy models more likely than outright competition<sup>5</sup>
- Regardless of which segments BigTechs are most likely to target, it is imperative for Asian wealth management firms to strategically determine how to invest for success within a disrupted landscape

<sup>4</sup> Emerging Asia-Pacific markets includes China, India, Indonesia, and Thailand

<sup>5</sup> A frenemy arrangement could include a utility-based model that leverages BigTechs' technology and operational scale to support wealth management firms with outsourced back- and middle-office processes



# Asia-Pacific Continues to Fuel Global HNWI Population and Wealth

- **Asia-Pacific fueled global HNWI population and wealth growth in 2017, generating 41.4% of all new global HNWI wealth.** Both HNWI population and wealth grew by more than 12%, thereby confirming its status as the powerhouse of HNWI growth globally.
- **Emerging markets were the engine of growth within the Asia-Pacific region, driving more than 50% of the region's new wealth growth.** India was the fastest growing market globally in 2017 with a growth rate of more than 20% in HNWI population and wealth.
- **Asia-Pacific ultra-HNWIs accelerated the pace of population and wealth growth in alignment with the global trends.** In 2017, Asia-Pacific ultra-HNWI growth in population (17.0%) and wealth (19.5%) surpassed the 2010-2016 annualized growth rates.
- **Asia-Pacific HNWI wealth is forecast to surpass US\$42 trillion by 2025, fueled by Emerging Asia markets.** Due to remarkable performance in 2017, the compounded growth rate required to meet the projection shrank from 9.2% in 2016 to 8.7% in 2017.

## Asia-Pacific remains the worldwide leader in HNWI population and wealth

*Asia-Pacific witnessed accelerated growth over the previous years, outperforming all other regions.* In 2017, Asia-Pacific HNWI population rose 12.1% (up by 665 individuals) and wealth climbed 14.8% as the region accounted for 41.4% of all new global HNWI wealth. The total Asia-Pacific HNWI population was 6.2 million in 2017 (Figure 1).

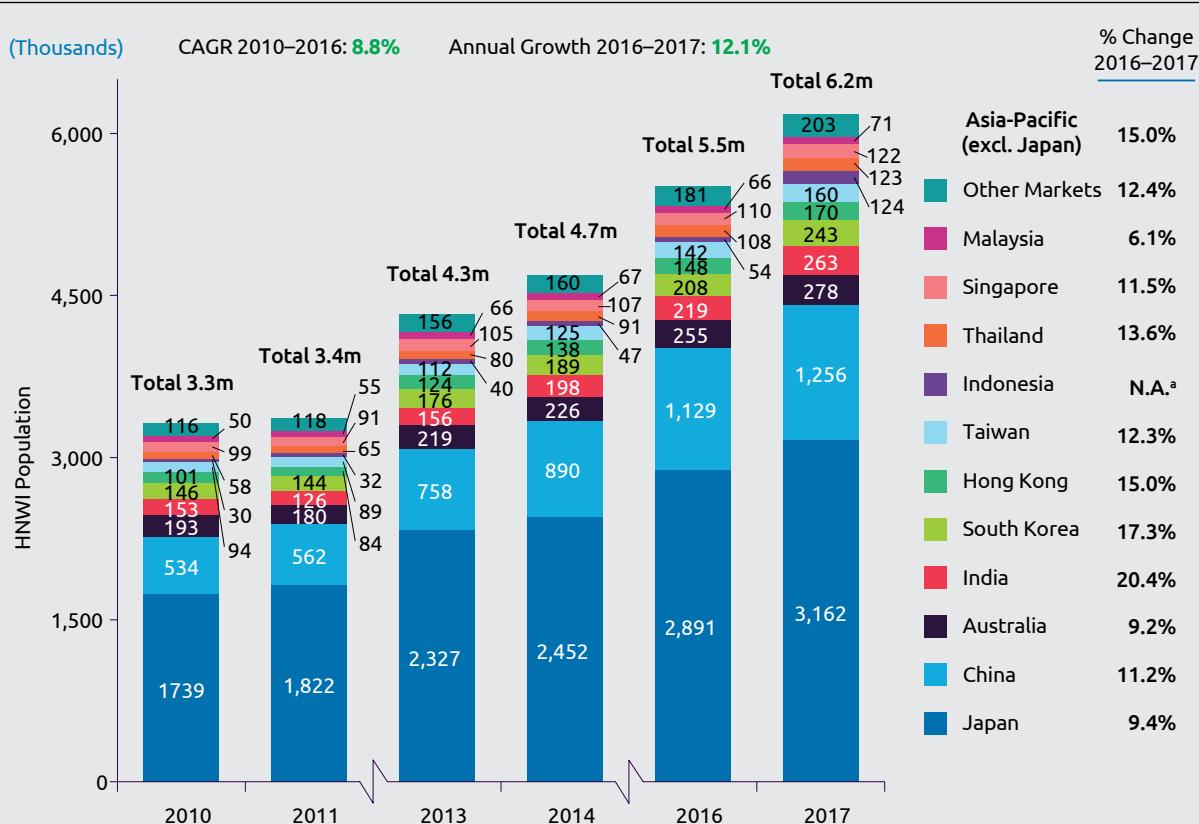
The region's 14.8% HNWI wealth gain – from US\$18.8 trillion to US\$21.6 trillion – led global wealth generation (Figure 2). *Asia-Pacific – the largest global*

*HNWI region – continued its lead over North America in HNWI population (by 514k) and financial wealth (by US\$1.8 trillion).*

Growth rates for 2017 were higher compared to the annualized 2010–2016 HNWI population and wealth growth rates of 8.8% and 9.7%, respectively. Economic stability and booming capital markets conducive to wealth creation were the impetus behind strong Asia-Pacific growth.

Equity market capitalization grew by 25.8% in Asia-Pacific (excl. Japan) in 2017, for comparison the global average growth was 21.8%. Gross Domestic Product (GDP) growth rate also improved marginally to 5.6% for Asia-Pacific (excl. Japan) in 2017, better than the global average of 3.0% (Figure 3).

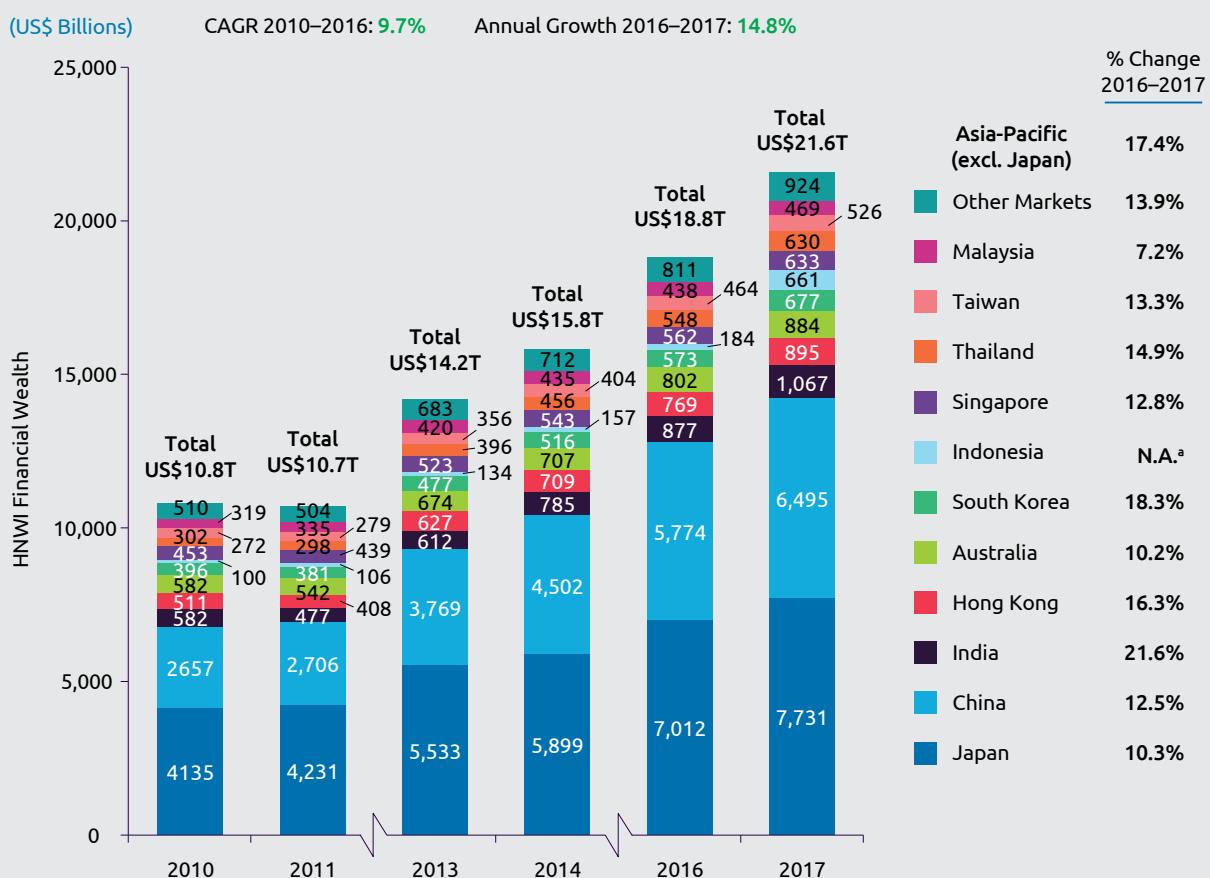
**Figure 1. Asia-Pacific HNWI Population, 2010–2017, by Market**



a. Indonesia HNWI population and financial wealth have been rebased for 2017 to reflect the impact of the 2016–17 tax amnesty and increased information availability

Note: The total for all years are expressed in US\$ trillion and the US\$ billion in chart title does not apply to those numbers; Chart numbers may not add up due to rounding; Other Markets include Kazakhstan, Myanmar, New Zealand, Pakistan, Philippines, Sri Lanka, and Vietnam

Source: Capgemini Financial Services Analysis, 2018

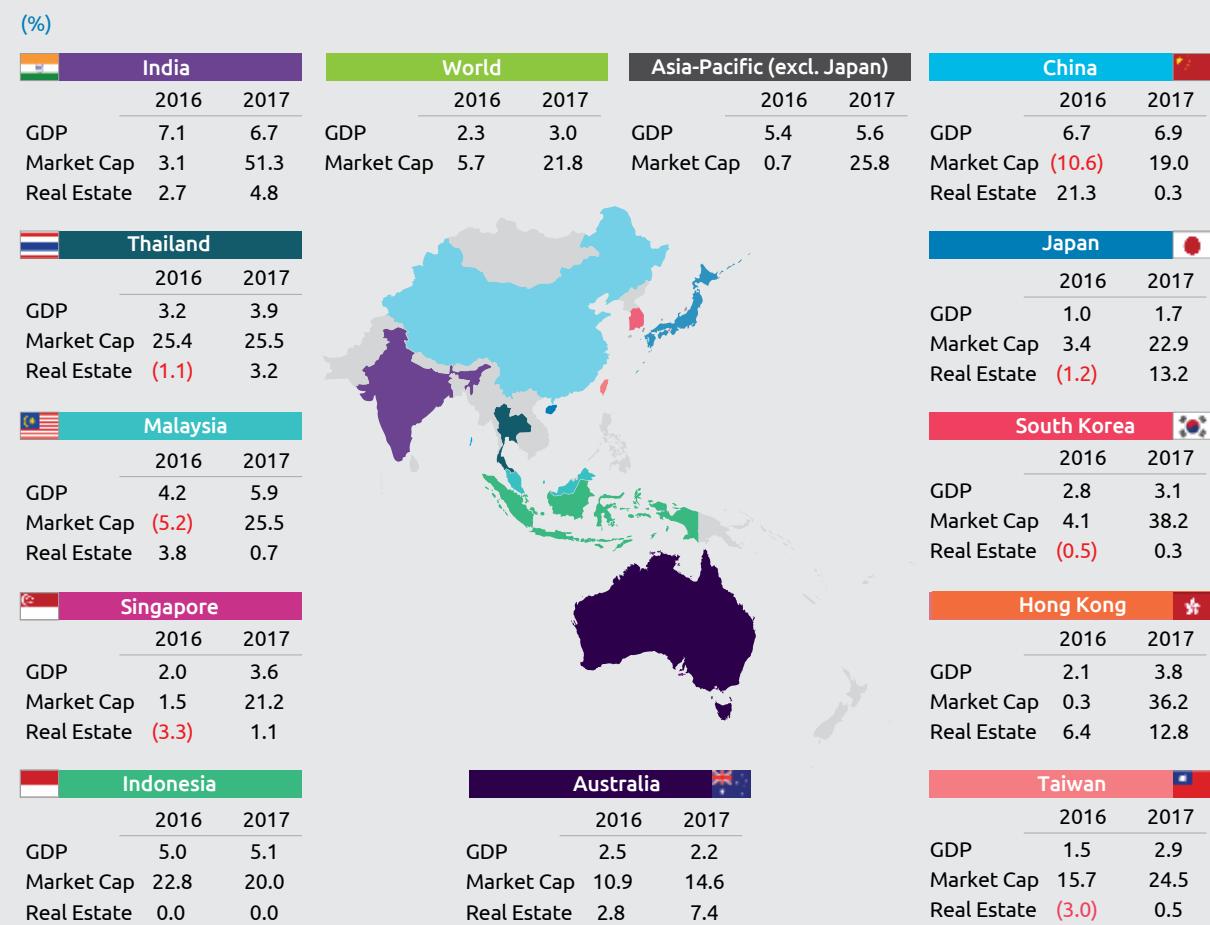
**Figure 2. Asia-Pacific HNWI Wealth, 2010–2017, by Market**

a. Indonesia HNWI population and financial wealth have been rebased for 2017 to reflect the impact of the 2016–17 tax amnesty and increased information availability

Note: The total for all years are expressed in US\$ trillion and the US\$ billion in chart title does not apply to those numbers; Chart numbers may not add up due to rounding; Other Markets include Kazakhstan, Myanmar, New Zealand, Pakistan, Philippines, Sri Lanka, and Vietnam

Source: Capgemini Financial Services Analysis, 2018

**Figure 3. Real GDP, Market Capitalization, and Real Estate Growth, 2016–2017, Select Asia-Pacific Markets**



Note: 2016 and 2017 GDP data from Economist Intelligence Unit; 2017 Real Estate Growth is based on Global Property Guide House Price Index, March 2018

Source: Capgemini Financial Services Analysis, 2018; Economist Intelligence Unit, July 2018; World Federation of Exchanges, December 2017; Global Property Guide House Price Index, March 2018

# Emerging Asia surpasses Mature Asia in HNWI population and wealth growth

*Emerging Asia powered the region's growth in HNWI population and wealth with growth rates of 16.9% and 19.9%, respectively, compared to 10.1% and 11.2% for Mature Asia.<sup>6</sup> Emerging Asia-Pacific markets made up 38.4% of the region's HNWI population growth and 52.9% of HNWI wealth growth in 2017 (Figure 4).*

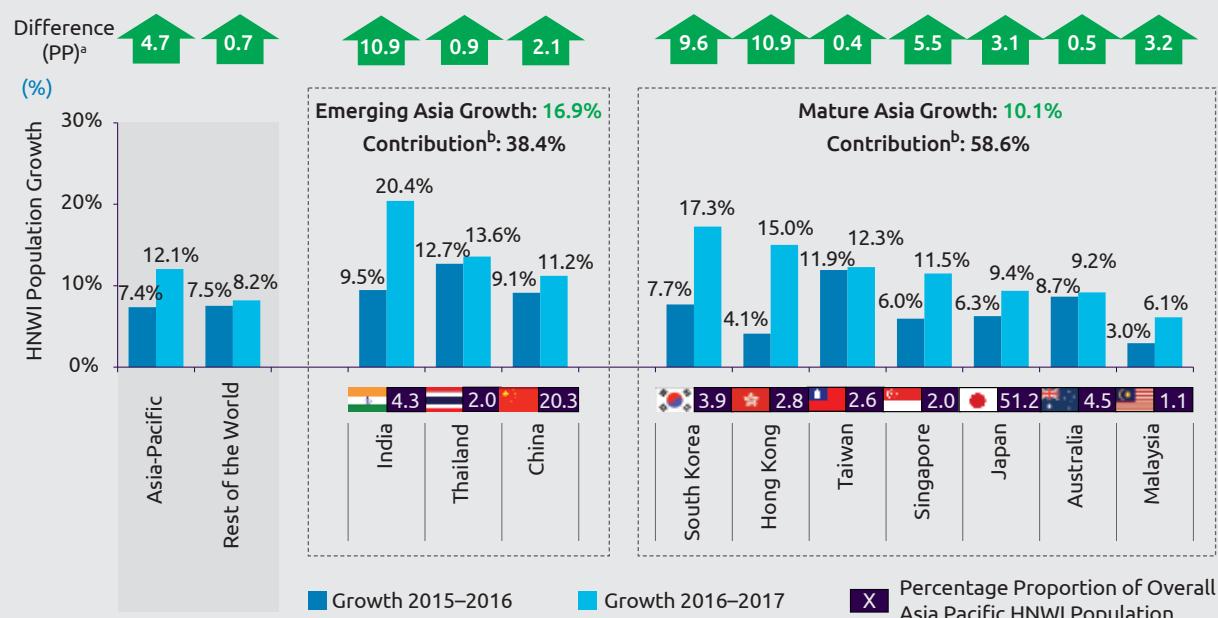
*India grew by more than 20% in both wealth and population, far above its 2010–2016 annualized average HNWI population (6.1%) and HNWI financial wealth (7.1%) growth rates, which led to a step up in its HNWI population ranking from 12th in 2016 to 11th in 2017. A mix of economic and financial dynamism were the growth propellers for the market. Government*

stability encouraged favorable business development policies, especially in manufacturing, which resulted in a 30-step jump in ranking for ease of doing business in 2017.<sup>7</sup> India's equity market capitalization increased by 51.3% while its GDP grew by 6.7% (Figure 3).

China's HNWIs continued their accelerated trajectory in 2017 with growth rates of 11.2% for population and 12.5% for wealth compared, respectively, with 9.1% and 9.8% in 2016, to further power overall Asia-Pacific HNWI growth. China's equity capitalization revival, which posted a 19.0% gain in 2017, aided growth and also helped to offset sluggish 0.3% real estate growth (down from 21.3% in 2016).

*Mature Asia-Pacific markets also grew in 2017 and contributed 58.6% to HNWI population and 43.4% to HNWI wealth growth for the region overall. South Korea, Hong Kong, Taiwan, and Singapore saw double-digit HNWI population growth rates, adding 88.2k HNWIs collectively in 2017. Strong equity performance spurred wealth across these four markets.*

Figure 4. HNWI Population Growth Rates, 2016–2017, Select Asia-Pacific Markets



a. PP difference denotes the percentage change in 2016–2017 over 2015–2016

b. Contribution refers to Emerging/Mature Asia's share (%) to overall Asia-Pacific population growth

Note: Indonesia HNWI population and financial wealth have been rebased for 2017 to reflect the impact of the 2016–17 tax amnesty and increased information availability; Indonesia's population growth and contribution is considered in Emerging Asia cluster but not shown individually in the chart for comparisons; Numbers besides country flags represent the individual markets' share (%) of HNWI population in Asia-Pacific; Mature Asia includes Japan, Australia, New Zealand, Singapore, Hong Kong, Taiwan, Malaysia, and South Korea; Emerging Asia includes China, India, Indonesia, and Thailand; Chart numbers and quoted percentages may not add up due to rounding

Source: Capgemini Financial Services Analysis, 2018

6 Mature Asia includes Japan, Australia, New Zealand, Singapore, Hong Kong, Taiwan, Malaysia, and South Korea

7 World Bank press release, "India Jumps Doing Business Rankings with Sustained Reform Focus," Nandita Roy, October 31, 2017, <https://www.worldbank.org/en/news/press-release/2017/10/31/india-jumps-doing-business-rankings-with-sustained-reform-focus>

Meanwhile, as one of the largest markets, Japan's contribution at 40.8% of overall HNWI population growth was the highest in the region, adding 271k new HNWIs. Low-interest rates coupled with the devaluation of the Yen fueled Japanese real estate sales. In fact, 2017 real estate prices appreciated by 13.2% and equity market capitalization rose by 22.9%.<sup>8</sup>

## The region's ultra-HNWIs maintain growth pace

*Double-digit growth in all wealth bands bolstered robust Asia-Pacific wealth management expansion in 2017.*

Aligned with the global trend, Asia-Pacific ultra-HNWIs continued to be the fastest-growing wealth segment. Moreover, Asia-Pacific's ultra-HNWI population growth (17.0%) and wealth growth (19.5%) surpassed the 2010–2016 annualized rate. In Asia-Pacific, India was the most fertile market for ultra-HNWI population (22.2%) and wealth (23.4%) growth.

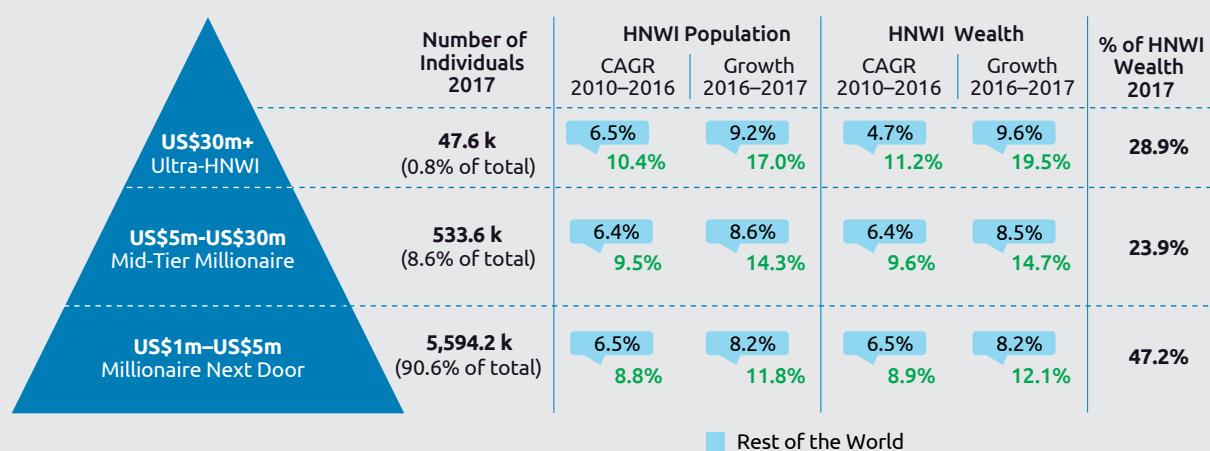
*Comparatively, ultra-HNWIs in the rest of the world managed to sustain 9.2% growth momentum for population and 9.6% for wealth.* The millionaires' next-door segment, representing 90.6% of Asia-Pacific HNWIs, grew 11.8% and 12.1% in population and wealth, respectively (Figure 5).

## Asia-Pacific wealth growth ahead of projections, on track to reach US\$42 trillion by 2025

*Asia-Pacific, a catalyst for global HNWI wealth growth, is expected to surpass US\$42 trillion by 2025 as projected in the World Wealth Report 2016.* The required compound annual growth rate (CAGR) necessary to reach the mark has now fallen to 8.7% for the 2017–2025 timeframe (Figure 6).

With its 16.9% growth rate, Emerging Asia continued to drive Asia-Pacific wealth creation in 2017. Now this bloc needs only 12.0% annualized growth (2017–2025) versus the 12.6% we projected in 2016. Mature markets in Asia-Pacific significantly exceeded projections (6.4%) with 11.2% growth in 2017. These markets now need 5.8% annualized growth over 2017–2025. Also, the rest of Asia achieved 15.0% growth in 2017, substantially higher than the projected 8.1% rate and, therefore, requires only 7.4% growth over 2017–2025.

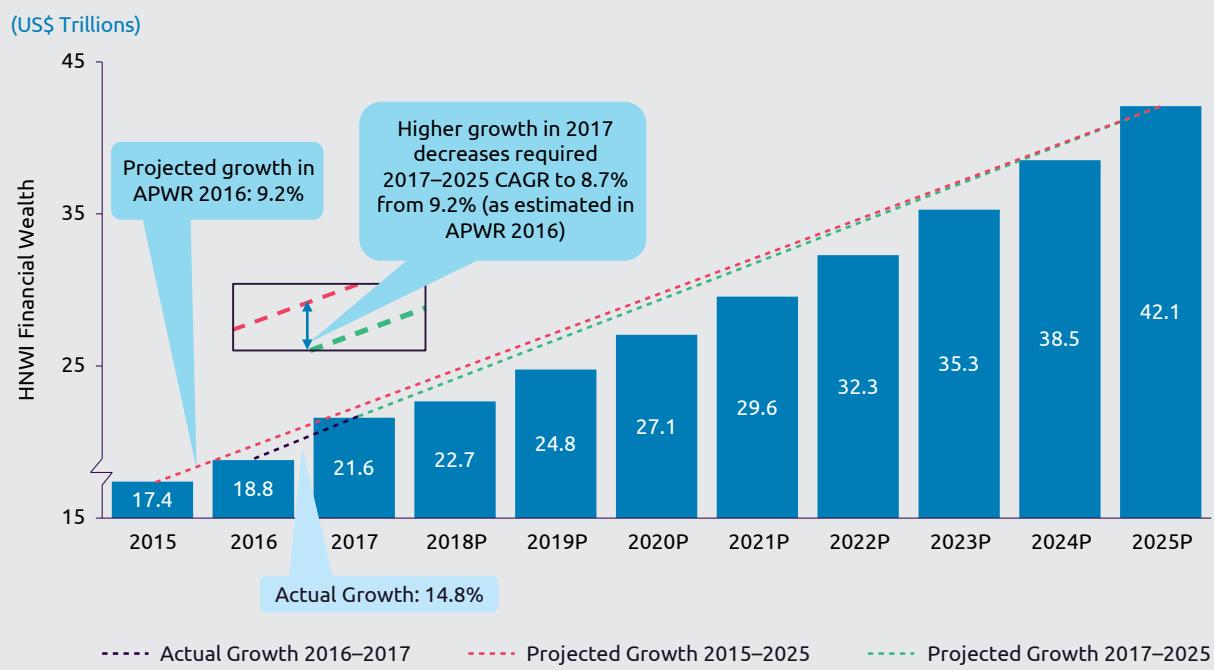
**Figure 5. Asia-Pacific Number of Individuals per Wealth Band (2017) and Growth (2016–2017)**



Note: Chart numbers and quoted percentages may not add up due to rounding

Source: Capgemini Financial Services Analysis, 2018

<sup>8</sup> Financial Times, "Is Tokyo's property market reaching its peak?" Hannah Roberts, November 17, 2017, <https://www.ft.com/content/4fcac308-c48f-11e7-b30e-a7c1c7c13aab>

**Figure 6. HNWI Financial Wealth, Actual vs Projection (US\$ Trillions), 2015–2025P, Asia-Pacific**

Note: 2025 data was calculated by applying the market-level annualized growth rate from 2006–2015 for the 2015–2025 period; Projected data is for illustrative purposes;

Source: Capgemini Financial Services Analysis, 2018





# Personal Connection is Critical to Client Satisfaction and Wealth Industry Success

- **Asia-Pacific (excl. Japan) HNWI satisfaction remains below 70%.** Although satisfaction improved, it was considerably lower than for HNWIs in the rest of the world. Ultra-HNWIs were the least satisfied investor class despite high returns delivered by wealth management firms.
- **A lack of holistic services, as well as perceived low value received for the fees charged by wealth management firms, were significant HNWI drivers of dissatisfaction.** Other low satisfaction triggers were too few tailored solutions and low or impersonal connections between HNWIs and wealth managers.
- **Building better personal relationships with clients is critical to improving HNWI satisfaction.** Firms need innovative solutions to build strong personal connection with HNWIs in order to improve satisfaction scores.
- **Better personal connections will also help wealth managers capitalize on the industry's ongoing asset consolidation trend.** A full 95.7% of Asia-Pacific (excl. Japan) HNWIs with a strong connection to their wealth managers said they are likely to consolidate wealth with them. Moreover, consolidation opens the door to folding outside wealth (not currently with a wealth manager) into the AUM category.

## HNWIs unfazed by robust investment returns, satisfaction muted

*Asia-Pacific (excl. Japan) HNWIs registered slightly higher satisfaction in Q1 2018 versus last year; however, overall satisfaction did not exceed a "passing grade" of 70%. In Q1 2018, Asia-Pacific (excl. Japan) satisfaction scores with firms reached 61.5% and for wealth managers 62.4% – up 4.1 and 5.4 percentage points, respectively, over Q2 2017. However, Asia-Pacific (excl. Japan) HNWI satisfaction lagged that of contemporaries in the rest of the world (Figure 7).*

*Notably, the satisfaction delta between Asia-Pacific (excl. Japan) millionaires next door and ultra-HNWIs was measurable, with ultra HNWIs far less satisfied.<sup>9</sup> Regarding their wealth manager, ultra-HNWIs had a satisfaction score of 53.6% compared to 62.8% for millionaires next door. For wealth management firms, ultra-HNWIs had an even lower satisfaction score of 44.3% compared to 62.4% for millionaires next door.*

Lackluster satisfaction came amid an otherwise positive Asia-Pacific wealth management backdrop – strong market performance, and high HNWI trust and confidence in wealth management providers.<sup>10</sup> Moreover, driven by diversified allocation of wealth,

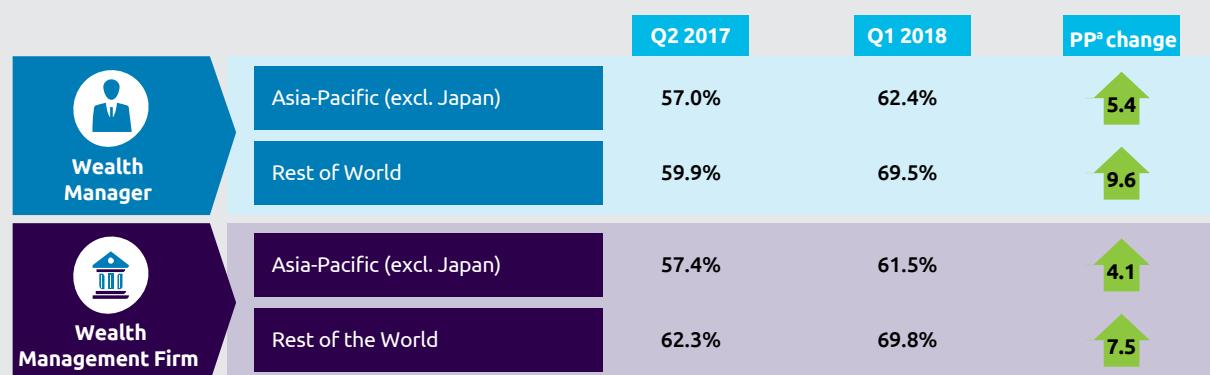
return on investments for Asia-Pacific (excl. Japan) HNWIs was high at 31.5% in 2017 compared with 26.6% for the rest of the world. An extended analysis of asset allocation begins on page 21.

Considering that Asia-Pacific (excl. Japan) HNWI satisfaction does not directly correlate to investment returns, wealth management firms may want to identify HNWI pain points and offer innovative solutions to improve HNWI satisfaction.

## Lack of holistic services and tailored solutions hold back HNWI satisfaction

*While HNWIs cited a variety of reasons for their discontent, four factors stood out: Complex fee structure, an unmet desire for holistic services, the need for personalization, and a low level of personal connection with their wealth manager. Even though Asia-Pacific (excl. Japan) HNWIs earned robust investment returns via their wealth managers, expectations for more value from firms resulted in tepid satisfaction levels. A sub-optimal level of skilled staff to keep up with an ever-increasing pool of demanding clients, coupled with high attrition at some wealth management firms, also likely dragged satisfaction levels down (Figure 8).*

**Figure 7. Satisfaction with Primary Wealth Manager and Wealth Management Firm, Q2 2017 and Q1 2018, Asia-Pacific (excl. Japan) and Rest of the World**



a. PP denotes the percentage point change in Q2 2017–Q1 2018

Note: Question asked: "How satisfied are you with your primary wealth manager (the individual who manages your wealth) and your primary wealth management firm?" 0% = Not at all satisfied; 100% = Totally satisfied

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2017, 2018

9 For the purposes of our analysis, we separate HNWIs into three discrete wealth bands: those with US\$1 million to US\$5 million in investable wealth (millionaires next door); those with US\$5 million to US\$20 million (mid-tier millionaires) and those with US\$20 million or more (ultra-HNWIs)

10 Capgemini, "World Wealth Report 2017," <https://www.worldwealthreport.com>

HNWI demands, in general, are continually evolving, particularly in light of influences from outside the wealth management industry. For instance, Netflix leverages machine learning and preference algorithms to suggest content based on popularity and user preferences.<sup>11, 12</sup> The company is careful

not to over-personalize and helps to change users' preconceived notions by excluding initial-choice content suggestions.<sup>13</sup> Thus, HNWIs now expect similar proactive and predictive solutions from their wealth managers.

**Figure 8: Summary Table of Factors Affecting HNWI Satisfaction, Asia-Pacific (excl.Japan)**

Issue	Issue Description	Magnitude	Evidence in Asia-Pacific (excl. Japan)
<b>Fee Structure</b>	<ul style="list-style-type: none"> <li>• Low value delivered</li> <li>• Low transparency</li> <li>• Unexpected charges</li> <li>• High fees</li> <li>• Poor service quality</li> </ul>		<ul style="list-style-type: none"> <li>• In Q2 2017, fee comfort was muted with only 57.4% of Asia-Pacific (excl. Japan) HNWIs saying they were comfortable with the fees they pay</li> <li>• The primary concerns related to fees charged were: <ul style="list-style-type: none"> <li>– 13.3% of HNWIs were concerned with fees charged</li> <li>– 24.4% of HNWIs mentioned fee transparency as their top concern</li> <li>– 19.6% cited value delivered as their primary concern</li> <li>– 14.5% of HNWIs mentioned unexpected charges as a top concern</li> </ul> </li> </ul>
<b>Personalization Needs</b>	<ul style="list-style-type: none"> <li>• Ineffective hybrid services offered</li> </ul>		<ul style="list-style-type: none"> <li>• Hybrid-advice satisfaction declined by 4.8 PP to 65.8% in Q1 2018 compared with Q2 2017</li> </ul>
<b>Connection with Wealth Manager</b>	<ul style="list-style-type: none"> <li>• Low personal connection between the HNWI and wealth manager</li> </ul>		<ul style="list-style-type: none"> <li>• As of Q1 2018, 34.8% of HNWIs said they do not connect "very well" with their wealth managers</li> </ul>
<b>Holistic Services</b>	<ul style="list-style-type: none"> <li>• Inability of wealth management firms to provide HNWIs a one-stop resource for wealth management services</li> </ul>		<ul style="list-style-type: none"> <li>• Per our Q1 2016 survey, along with investment management, HNWIs seek value-added services, including: <ul style="list-style-type: none"> <li>– Financial planning: 21.1%</li> <li>– Retirement solutions: 10.6%</li> <li>– Tax and legal advise: 7.3%</li> </ul> </li> <li>• Many firms have raised clients' minimum investable asset requirement to US\$5 million, leaving a large client base unserved and causing friction with the HNWIs</li> </ul>
<p>Other factors such as staff turnover, regulatory compliance, cybersecurity threats, and ineffective digital infrastructure affect firms' service capabilities and can drive down HNW client satisfaction.</p>			

Note: Question asked: "How concerned are you about fees charged by your primary wealth management firm for each of these parameters?" Respondents rated on a scale of most concerned, also concerned, or not concerned. Numbers in the chart indicate responses for most concerned; "How important is it that your primary wealth management firm offers a combination of personal and automated/digital self-service channels for interaction?" The above percentages represent the sum of 6 and 7 for High Importance; "We would like to understand how well you connect at a personal level with your primary wealth manager?" Ratings of 6 and 7 have been denoted as a strong/very well connection; "Given your current circumstances, how valuable are the following wealth management services to you?" Respondents rated on a scale of "most valuable", "also valuable", or "not valuable". Numbers in the chart indicate responses for "most valuable"

Source: Capgemini Financial Services Analysis 2018; Capgemini Global HNW Insights Survey 2016, 2017, 2018

11 Netflix Investor, "Netflix is the world's leading internet entertainment service with over 130 million memberships in over 190 countries," September 26, 2018, <https://www.netflixinvestor.com/ir-overview/profile/default.aspx>

12 Business Insider India, "Netflix lifted the lid on how the algorithm that recommends you titles to watch actually works," Lara O'Reilly, February 26, 2016, <https://www.businessinsider.in/Netflix-lifted-the-lid-on-how-the-algorithm-that-recommends-you-titles-to-watch-actually-works/articleshow/51158848.cms>

13 Wired UK, "This is how Netflix's top-secret recommendation system works," Libby Plummer, August 22, 2017 <https://www.wired.co.uk/article/how-do-netflixs-algorithms-work-machine-learning-helps-to-predict-what-viewers-will-like>

## Personal connections between HNWIs and wealth managers lag in key Asia-Pacific markets

*Wealth management is a business based on trust and interpersonal relationships. Besides high returns and the provision of sophisticated services, success depends on maintaining healthy and committed personal connections with clients.* Based on 2018 Global HNWI Insights Survey results, it is apparent that enhanced personal connections among HNWIs and wealth managers may result in improved client satisfaction scores.

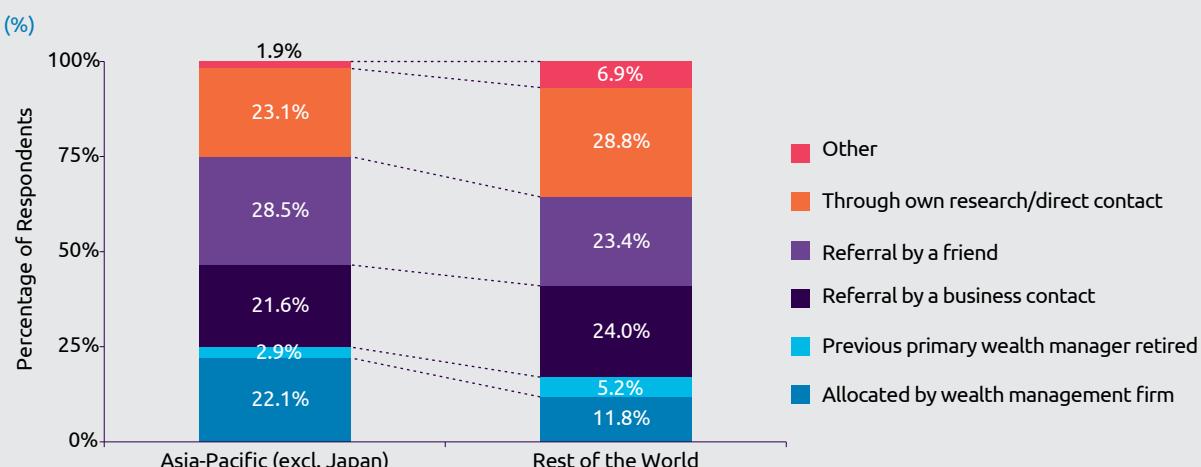
The importance of strong personal connections is further heightened with the current digital disruptions across the clients' value chain in their wealth management journey. With an eye on the future, hybrid tools might offer a path to strengthen these relationships.<sup>14</sup> Therefore, active support and understanding of hybrid transformation are critical for wealth management firms. APWR 2018 features insights into hybrid models beginning on page 23.

A look at introduction modes between Asia-Pacific (excl. Japan) HNWIs and their wealth managers may offer insight into the value of more innovative approaches to targeting, retaining, and building client connections.

More Asia-Pacific (excl. Japan) HNWIs selected their wealth manager based on referral by a friend compared with the rest of the world (28.5% vs 23.4%) (Figure 9). In Asia-Pacific (excl. Japan), high percentage of ultra-HNWIs (60.7%) preferred this type of introduction, compared with 18.7% for the rest of the world.

In Asia-Pacific (excl. Japan), both active and passive types of introduction have led to better connections with wealth managers compared to the rest of the world (Figure 10). While it may seem intuitive that an active introduction would lead to a good relationship, our survey found that passive and semi-passive modes were comparatively more effective. It may be that HNWIs lack the research capabilities needed to select the most appropriate wealth manager for their financial requirements. Therefore, to improve personal connections, wealth managers need to engage clients more actively through innovative solutions.

**Figure 9. Wealth Manager Introduction Mode, Q1 2018, Asia-Pacific (excl. Japan) and Rest of the World**

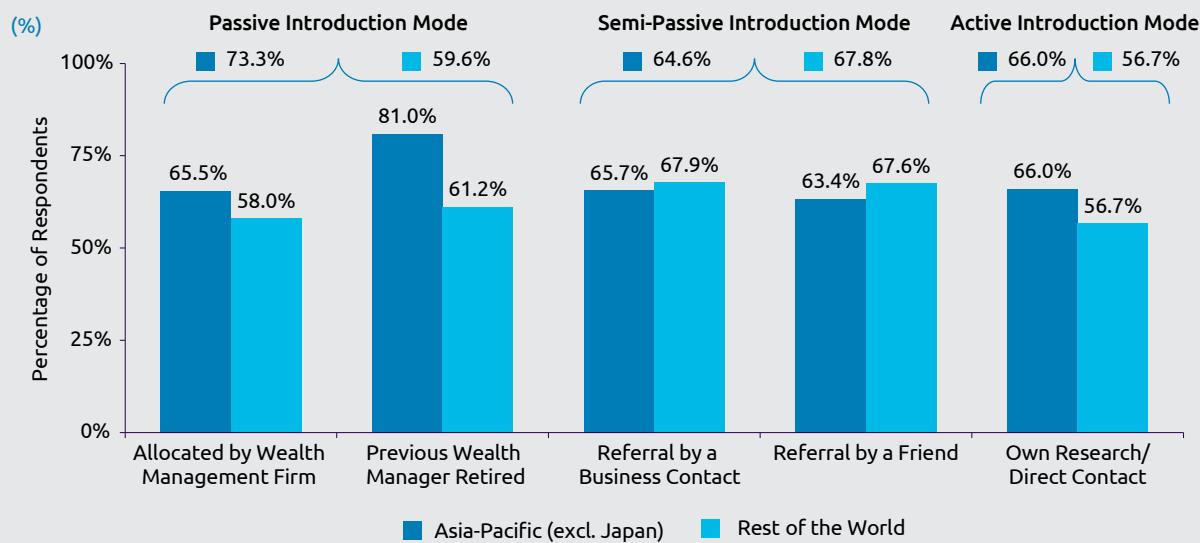


Note: Question asked: "How were you introduced to your primary wealth manager?"; Chart numbers may not add to 100% due to rounding

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

<sup>14</sup> We define hybrid tools as methods to help clients tap into their life-stage and wealth management needs and aid them in developing financial planning capabilities in a modular pay-as-you-go manner. Hybrid capabilities are delivered through an amalgamation of (1) automated/self-service delivery; (2) human led delivery; (3) a wealth manager-assisted hybrid approach

**Figure 10. Strength of HNWI and Wealth Manager Personal Connection, by Introduction Mode, Q1 2018, Asia-Pacific (excl. Japan) and Rest of the World**



**Note:** Question asked: "How were you introduced to your primary wealth manager?"; "We would like to understand how well you connect at a personal level with your primary wealth manager. Please let us know to what extent you agree with the following statement: I connect very well with my primary wealth manager. 1 = Strongly disagree; 4 = Neither agree nor disagree; 7 = Strongly agree"; Above values represent HNWI connection levels with their wealth managers given their choice of introduction mode to their wealth manager; Ratings of 6 and 7 have been denoted as "strong/very well" connection levels

**Source:** Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

As firms prepare for the future, more meaningful client relationships will become increasingly important and must not be underestimated. Notably, the apparent-strength of personal connections at the regional level masks significant disconnects in the principal financial centers—Hong Kong and Singapore. *Low HNWI personal connection in Hong Kong (28.7%) and Singapore (45.6%) is a concern that demands urgent attention and corrective action from wealth managers.* In addition to the HNWI satisfaction considerations outlined earlier (Figure 8), low personal connection may also stem from the complex nature of these

financial markets. Conversely, personal connection is reasonably robust in China (74.2%), India (76.7%), Indonesia (76.3%), and Malaysia (61.7%).

Extended analysis reveals a pronounced willingness among 89.1% of Asia-Pacific (excl. Japan) HNWIs to seek better methods of wealth manager selection.<sup>15</sup> In fact, more than 80% of HNWIs in key Asia-Pacific markets demonstrated this trend (except HNWIs in Australia and Japan). Wealth management firms can develop in-house tools to improve the way they match suitable wealth managers to HNW prospects and clients, or they can seek industry solutions.

<sup>15</sup> Better methods to choose a wealth manager might include a wealth manager rating system or a third-party matching system

## Firms that improve client intimacy open the door to more assets under management

*Asia-Pacific (excl. Japan) wealth management firms have the potential to increase AUM because HNWIs in the region are among the most likely to consolidate assets with their primary wealth manager, with 85.6% of respondents saying they were willing to consolidate compared with 67.1% of HNWIs in the rest of the world.<sup>16</sup>*

HNWIs in the Emerging Asia-Pacific markets of China (94.0%), India (92.0%), and Indonesia (96.5%) are inclined towards asset consolidation. Meanwhile, HNWIs in Singapore (77.2%) and Hong Kong (63.0%) are less likely to consolidate their assets – possibly because of their diverse needs which are usually provided as niche services by global wealth managers operating in these markets.

*Asia-Pacific (excl. Japan) HNWIs who feel strongly connected to their primary wealth managers are more likely (95.7%) to consolidate their wealth with them – a high number compared with 78.2% for HNWIs in the rest of the world. Except Australia, the trend is prevalent across individual markets (over 96%) in Asia-Pacific (excl. Japan). In fact, the likeliness to consolidate dips to less than 73% for Asia-Pacific (excl. Japan) HNWIs who report mediocre or low personal connection.*

An assessment of strongly-connected HNWIs and their likeliness of wealth consolidation offers insight into how firms might increase their AUM.

**Gain outside wealth:** Garner net new assets by targeting clients' liquid assets. The current AUM opportunity for Asia-Pacific (excl. Japan) is US\$7.0 trillion.<sup>17</sup> Hong Kong offers huge potential as 41.0% of investable assets are liquid and can be tapped by wealth managers to increase AUM.

**Gain the assets of others:** Increase net new assets by targeting competitors (other wealth managers). The current AUM opportunity for this segment in Asia-Pacific (excl. Japan) is US\$6.6 trillion.<sup>17</sup>

**Leverage existing assets:** Convert dormant assets into active assets. Managers can cross-sell to encourage existing clients to invest more assets with the firm. The higher fees earned will increase overall revenue which in turn can be deployed to target new AUMs.

Clearly, improved client intimacy is critical to increasing AUM and positioning for overall success in Asia-Pacific wealth management. Today's HNW clients expect the same level of connection and personal and proactive experience they have grown accustomed to from interactions outside of the financial services industry, including interactions with BigTech firms such as Google, Alibaba, and Tencent. At the same time, demographic shift requires firms to forge close client relationships.

In light of the growing account aggregation trend, many Asia-Pacific firms are prioritizing holistic services and 360-degree views for wealth clients. As firms invest in ways to competitively differentiate themselves, and enhance customer experience many are considering account aggregation services. We explore the account aggregation trend further beginning on page 25.

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<sup>16</sup> AUM is the total market value of assets that a firm manages on behalf of clients

<sup>17</sup> Survey-based liquid and managed wealth allocation of HNWIs and their investable financial wealth numbers have been used to arrive at the final AUM opportunity. Liquid assets refer to sum of wealth held in retail bank account and physical cash

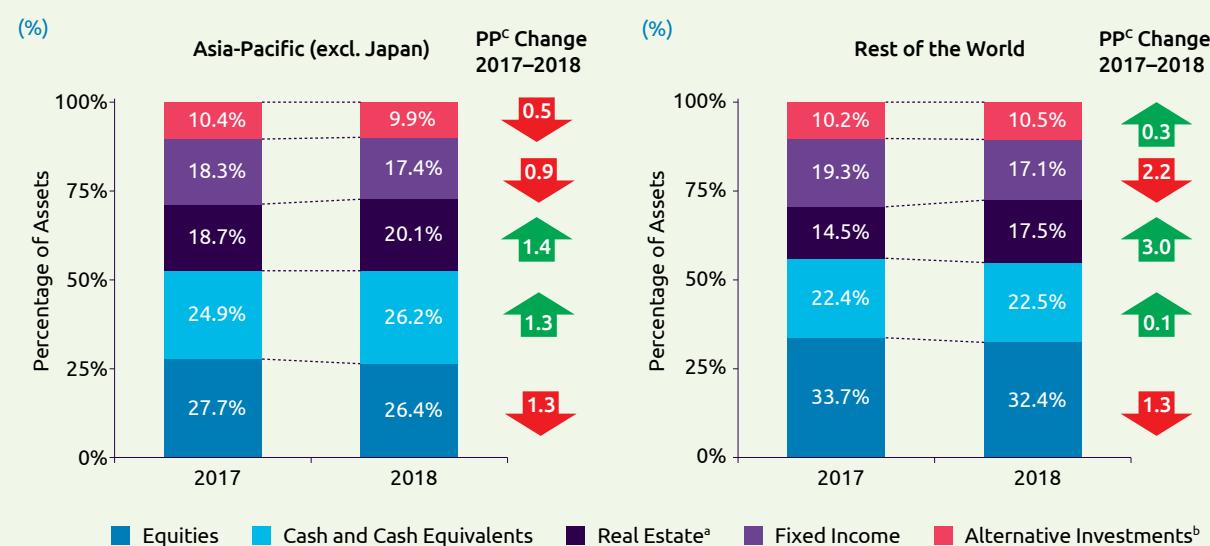
# Equities retain preferred asset class status, but lose ground to cash and real estate

*While equities remained the dominant asset class in Asia-Pacific (excl. Japan) HNWI portfolios, cash now accounts for more than a quarter of holdings.* Equities accounted for 26.4% of investable wealth for Asia-Pacific (excl. Japan) HNWIs, narrowly surpassing cash allocations (26.2%). Despite global and Asia-Pacific (excl. Japan) increase in equity-market capitalization – 21.8% and 25.8%, respectively, by the end of 2017 – HNWI equity holdings decreased as a share of their total wealth, down 1.3 percentage points from Q2 2017 to Q1 2018. This implies that HNWIs actively re-allocated to cash to avoid diluting their cash-holding percentage share. This was possibly done to hedge against market

volatility (given the arguably late-cycle stage of the current global bull market in equities), as well as for lifestyle spending.<sup>18</sup>

*Asia-Pacific (excl. Japan) real estate allocations increased 1.4 percentage points year over year as of Q1 2018.* A fairly illiquid asset class, real estate is likely to have benefited from rising valuations on existing holdings versus a mass movement into the asset class. Within the category, residential is the primary subclass at 46.8% of all real estate holdings, followed by commercial at 21.1%, and land (residential and commercial) at 12.2%.

**Figure 11. Breakdown of HNWI Financial Assets, Q2 2017–Q1 2018, Asia-Pacific (excl. Japan) and Rest of the World**



- a. Excludes Primary Residence
  - b. Includes structured products, hedge funds, derivatives, foreign currency, commodities, private equity
  - c. PP denotes the percentage point change in Q2 2017–Q1 2018
- Note: Question asked: "What percentage does each of these asset classes approximately represent in your CURRENT financial portfolio?"; Chart numbers may not add up to 100% due to rounding
- Source: Capgemini Financial Services Analysis 2018; Capgemini Global HNW Insights Survey 2017, 2018

18 Capgemini, "World Wealth Report 2015," <https://www.worldwealthreport.com>



# Hybrid Advice Model Transformation Must Be Fast-Tracked Amid Potential BigTech Disruptions

- **Across Asia-Pacific (excl. Japan), demand for hybrid advice remains strong.** Wealth management firms in the region have shown significant progress in ramping up hybrid transformation activities.
- **However, more focused attention is required because year-over-year HNWI satisfaction with hybrid advisory services declined** and their expectations continue to be shaped by their positive experiences with non-FS firms.
- **Hybrid advice transformation is critical especially in Asia-Pacific (excl. Japan) because of HNWIs' growing interest in BigTech services.** BigTech firms are seizing current market opportunities and making inroads into the financial services industry, including entry into the wealth management domain.
- As BigTech firms prepare their competitive foray into wealth management, multiple entry scenarios exist, with **partnership/frenemy models more likely than outright competition.**
- BigTechs can capitalize on low hybrid satisfaction levels to gain a foothold in the wealth management industry – **especially targeting the affluent segment that private banks often underserve.**
- Regardless of the segment BigTechs target most aggressively, **wealth management firms in Asia must determine how they invest for success in a disrupted landscape.** A shift to innovative budgeting approaches, as well strategic investments in emerging technologies, can support business model transformation.

## Firms embrace hybrid advice transformation but fail to meet HNWIs' expectations

Asia-Pacific (excl. Japan) wealth management firms are making progress in their push to offer clients life-stage and needs-based wealth management services through hybrid advice.<sup>19</sup> However, the firms appear to be struggling to capitalize on their hybrid offerings. HNWIs' year-over-year satisfaction with hybrid advice dropped as their non-financial experiences heightened their expectations of wealth management firms.

*HNWIs' hybrid advisory appetite combined with high-impact technology developments have encouraged established wealth management firms to accept hybrid business models.* 68.0% of Asia-Pacific (excl. Japan) HNWIs surveyed for APWR 2018 rated hybrid interaction as highly important compared to 53.3% of rest of the world respondents. The difference is even higher for the wealthiest band, with 83.4% of Asia-Pacific (excl. Japan) ultra-HNWIs saying they considered hybrid advisory services highly important compared with 48.8% for their rest of the world counterparts. In fact, 90.2% of HNWIs in Asia-Pacific (excl. Japan) said effective hybrid advice interactions with an advisor were a driver to consolidate assets with their primary wealth manager.

With an eye on numerous hybrid business model benefits, several Asia-Pacific firms have taken a transformational leadership role. A few select examples include hybrid offerings from OCBC and BNP.

**OCBC/WeInvest partnership:** Oversea-Chinese Banking Corporation (OCBC) recently launched a robo-investment service in collaboration with Singapore startup WeInvest to help millennials grow their wealth in simple, smart, and self-directed way. OCBC RoboInvest is an automated, algorithm-based digital investment service that empowers individuals prepared to invest about US\$2,550 with 28 thematic portfolios, backed by market research and insights from a suite of stocks and Exchange Traded Funds.

Customers access a dashboard to check investment performance and can withdraw or add at any time with costs at a fraction of traditional investment management fees. The OCBC/WeInvest partnership was forged through OCBC's FinTech and Innovation Unit,<sup>20</sup> which helped them combine technological know-how with human expertise.

**BNP/CX Program:** BNP developed a 10-product digital solution in collaboration with a group of clients, FinTechs, and BNP wealth management specialists. The new products focus on improved customer experience. Each product aims to improve the customer journey by empowering users to manage technology and human interaction in their banking relationships. This initiative offers advisory services to HNW clients anytime, anywhere, without compromising on the expected service quality.<sup>21</sup>

*However, even though most firms in Asia-Pacific have made progress, none of them have made a complete hybrid-advice transformation.* Half of the firms surveyed said they were "defining" or "conceptualizing" their transformation, while the other half said their transformation program was "underway." In comparison, for the rest of the world, only 6% of firms were in "defining" or "conceptualizing" stage, and over 35% of firms had "completed" their transformation.

Meanwhile, the recent technology push to digitalize advisory practices has led to increased demand for account aggregation services (providing investors with a 360-degree view of all their bank, credit card, investment, and other consumer or business accounts in a single place). For example: Canopy platform, developed by a Singapore based financial technology firm, allows HNWIs to aggregate and visualize their wealth across asset classes, currencies, geographies, and institutions.<sup>22</sup> Asia-Pacific wealth management firms, like their counterparts in other regions, realize aggregation services are a competitive differentiator that may spur growth while offering clients more complete service benefits. With this in mind, Credit Suisse launched its account aggregation and reporting solution with Canopy in Singapore in 2017.<sup>23</sup>

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19 Hybrid advice: Clients tap into life-stage and need-based wealth management and financial planning advice in a modular, personalized pay-as-you-go manner. Hybrid services are client selected and delivered through a combination of: (1) automated analytics-driven self-service (for basic investment advice); (2) wealth manager-led advice (such as for complex wealth structuring); or (3) a wealth manager-assisted hybrid approach

20 OCBC press release, "OCBC Bank is first bank in Southeast Asia to launch robo-investment service," August 23, 2018, <https://www.ocbc.com/group/media/release/2018/ocbc%20bank%20is%20first%20bank%20in%20southeast%20asia%20to%20launch%20robo-investment%20service.html>

21 BNP Paribas press release, "New Client Experience Takes Centre Stage at BNP Paribas Wealth Management," June 28, 2017, <https://wealthmanagement.bnpparibas/asia/en/news/new-client-experience-takes-centre-stage-at-bnp-paribas-wealth-management.html>

22 Bloomberg, "Company Overview of Canopy Pte. Ltd.", <https://www.bloomberg.com/research/stocks/private/snapshot.asp?privcapId=339236390>, accessed on October 8 2018

23 Finews, "Is Canopy Credit Suisse's Secret Weapon?", July 17, 2018, <https://www.finews.asia/finance/27215-canopy-credit-suisse-tanmai-sharma-secret-weapon>

# Asia-Pacific (excl. Japan) HNWIs value account aggregation services

*A full 88.0% of Asia-Pacific (excl. Japan) HNWIs said it is important for them to see their entire wealth picture across multiple banks, financial institutions, and non-bank assets at a single place (Figure 12).*

Younger HNWIs sought an aggregated or consolidated wealth picture with 92.2% considering it important compared with 70.5% of HNWIs aged 60 or older. Moreover, 88.2% of Asia-Pacific (excl. Japan) HNWIs said they were comfortable having their primary wealth management firm perform the account aggregation. For China, India, Indonesia, and Malaysia, the comfort level is even higher, with more than 90% of HNWIs seeking big-picture insight from their wealth management firm.

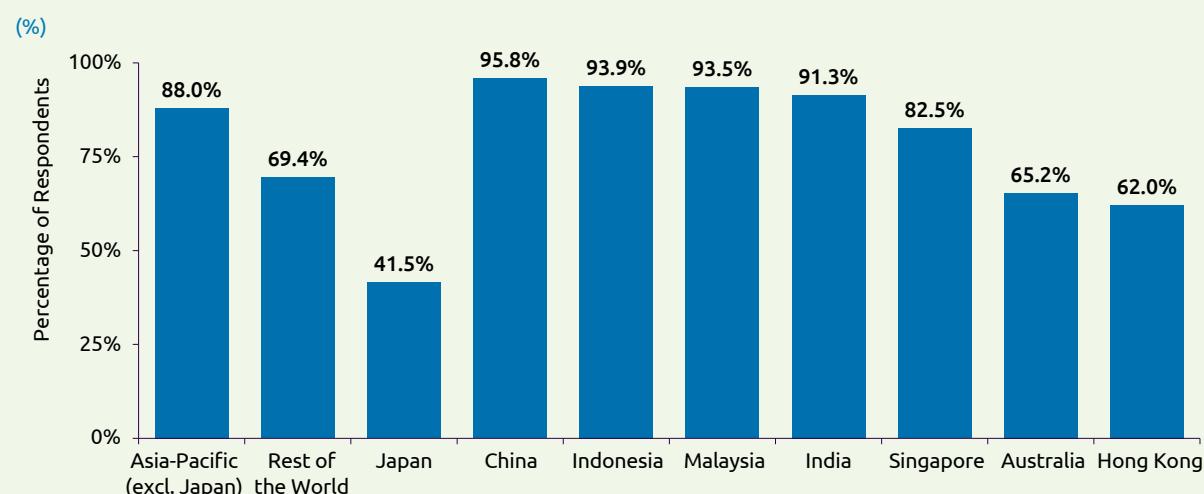
Along with data privacy, additional challenges will need tackling if wealth management firms hope to improve the adoption rate of account aggregation. A third of HNWIs said they feared losing negotiation leverage with the firm if they adopted account aggregation services; while 25.1% were not confident in the firm's ability to accurately perform account aggregation services.

In fact, 21.1% of HNWIs didn't see the value of a consolidated picture and therefore were uncomfortable with account aggregation services. Japanese HNWIs (41.5%) were the least interested in account aggregation services with 53.1% saying they did not see any value in a consolidated picture.

## Data privacy remains a major consolidation concern

*Data privacy or security was cited as the primary concern by 73.7% of Asia-Pacific (excl. Japan) HNWIs. Younger HNWIs (73.9%) in the region cited data privacy as a major reason for them being uncomfortable with consolidation while their older counterparts (22.0%) were less apprehensive.*

**Figure 12. Consolidated Wealth Picture Importance, Q1 2018, by Market**



Note: Question asked: "How important is it that you can see your entire wealth picture across multiple banks, financial institutions, and your non-bank assets, in a single place?"; Please indicate your response on a scale of 1–7 where 1 = Not at all important, 4 = Neither important nor unimportant, 7= Extremely important; Ratings of 5, 6 and 7 have been shown in the chart above

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

## Willingness to pay for account aggregation services high among Asia-Pacific (excl. Japan) HNWIs

With an eye on new revenue streams, wealth management firms are continually innovating and upgrading their digital services as demand for a single portfolio view gains importance among HNWIs.

Citing value in account aggregation, 85.2% of Asia-Pacific (excl. Japan) HNWIs say they are willing to pay for these services as compared with only 55.9% for rest of the world HNWIs.

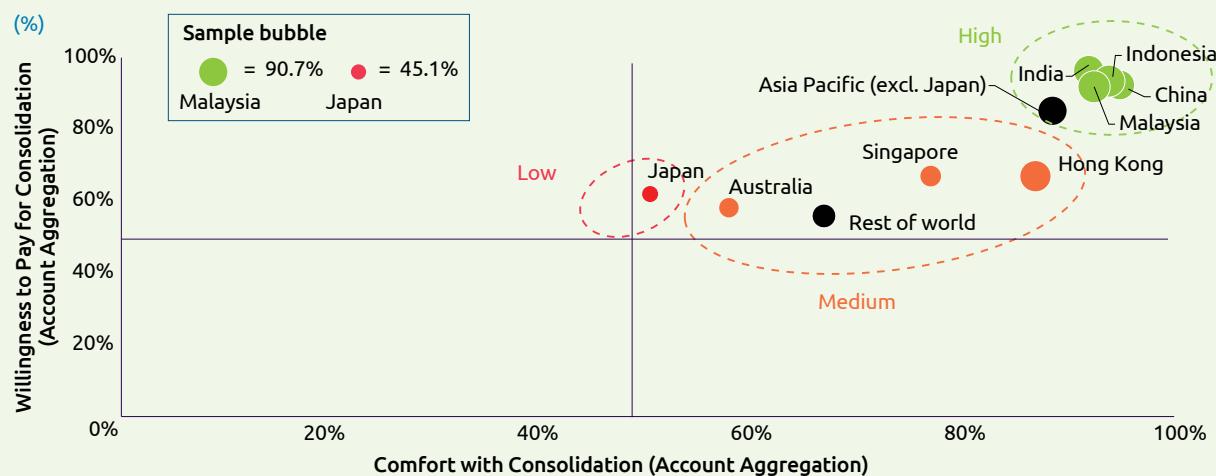
High proportion of HNWIs in Emerging Asia markets such as India (96.4%), Indonesia (93.5%), and China (92.4%) were willing to pay for account aggregation services. 87.4% younger HNWIs are more willing to pay for account aggregation services compared with 63.9% of HNWIs older than 60 in the Asia-Pacific (excl. Japan) region.

Higher adoption of account aggregation services will help wealth management firms nurture existing client relationships to become more meaningful and efficient. Wealth managers can provide a 360-degree view of all client assets and liabilities, and advisors will be able to enhance the service to existing clients while demonstrating a new value proposition more easily with the help of account aggregation.

*Wealth management firms should focus on high-priority Emerging Asia-Pacific markets (India, China, and Indonesia) where HNWIs are more comfortable with account aggregation and are willing to pay for these services (Figure 13).*

Although HNWIs in Singapore and Hong Kong are comfortable with account aggregation, their willingness to pay is relatively less when compared with high-priority markets. Therefore, wealth management firms can classify Singapore and Hong Kong as medium-priority targets.

**Figure 13. Comfort and Willingness to Pay for Account Aggregation, Q1 2018, by Market**



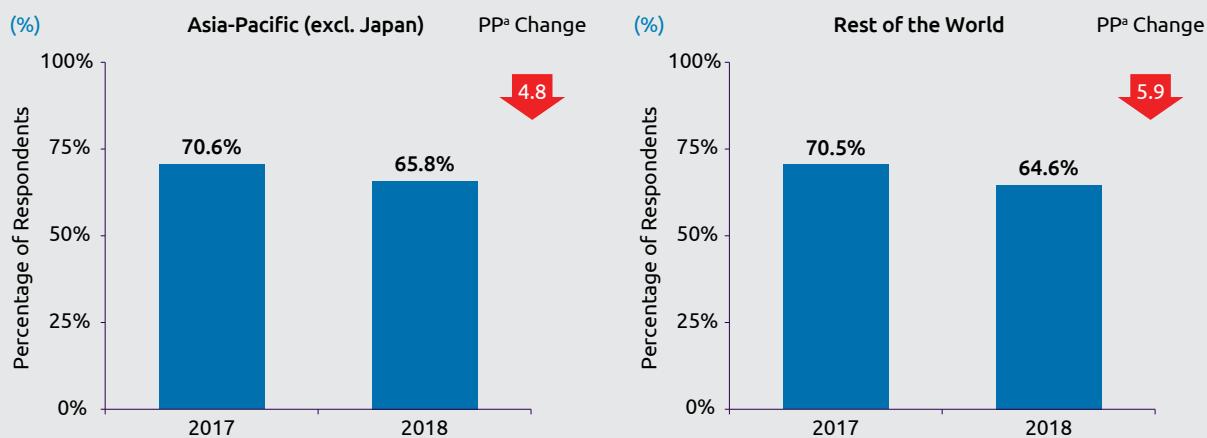
Note: Question asked: "Would you be comfortable allowing your primary wealth management firm to perform this consolidation (or account aggregation)?"; "Would you be willing to pay for this as a value-added service?"; "Is such a consolidation (or account aggregation) service currently provided by your primary wealth management firm?"; Please indicate response as Yes or No; Responses of Yes have been shown in the chart above; Bubble sizes represent extent to which consolidation services are provided by the primary wealth management firm in the market

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

*Many Asia-Pacific wealth management firms are accelerating their hybrid transformation journeys, but hybrid advice satisfaction for HNWIs in Asia-Pacific (excl. Japan) fell 4.8 percentage points from 2017's already-*

modest levels (Figure 14). Hybrid satisfaction scores were high for emerging markets such as India (78.0%), China (73.6%), and Indonesia (71.9%).

**Figure 14. HNWI Satisfaction in Hybrid Advisory, Q2 2017–Q1 2018, Asia-Pacific (excl. Japan) and Rest of the World**



a. PP denotes the percentage point change in Q2 2017–Q1 2018  
 Note: Question asked: "How satisfied were you with the combination of personal and automated/self-service interaction you had with your primary wealth management firm last year?"; Please indicate your response on a scale of 1–7 where 1 = Not at all satisfied, 4 = Neither satisfied nor unsatisfied, 7= Extremely satisfied; Ratings of 6 and 7 have been shown in the chart above  
 Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

The pressure on wealth management firms is building as competition is no longer limited to rivalry from peer wealth services providers. Nowadays, new threats are coming from areas previously unrelated to wealth management. For instance, HNW clients are being wowed by the convenience and personalization of their Netflix experiences, Uber rides, and Amazon grocery shopping. As customer expectations climb, wealth managers are compelled to meet or exceed this new normal, or risk losing ground.

## Competition intensifies as HNWI interest in BigTech offerings rises

Significant HNWI interest in BigTech services in combination with BigTech expansion into the broader financial services industry creates an attractive environment for tech giants to enter the Asia-Pacific wealth management space.<sup>24</sup>

*Asia-Pacific (excl. Japan) HNWIs are more interested in BigTech wealth management offerings than their rest of the world counterparts, with interest jumping nine percentage points from Q2 2017 to Q1 2018 (Figure 15).*

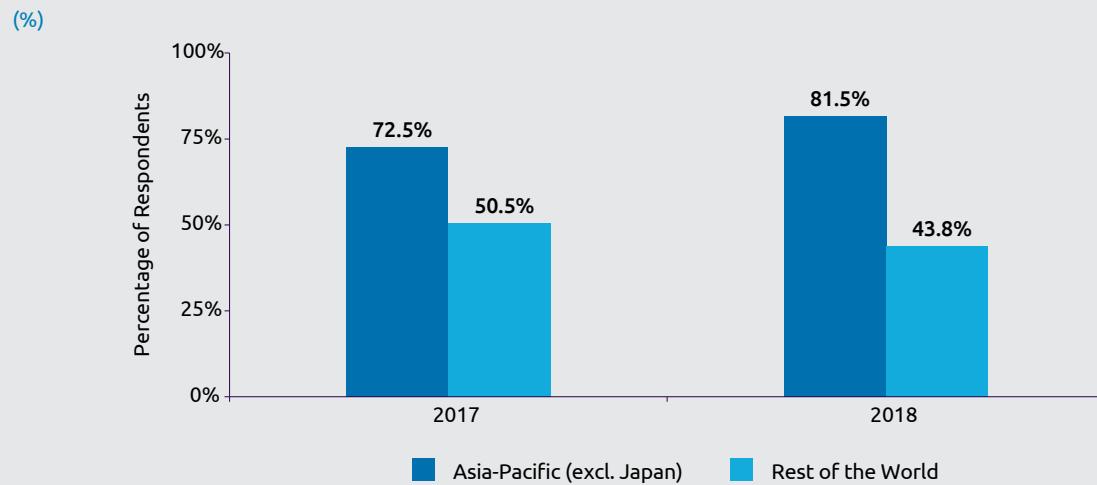
Younger Asia-Pacific (excl. Japan) HNWIs (those under the age of 40) were most interested in BigTech wealth management services (87.0%), while only 40.1% of HNWIs aged 60 and older showed interest.

Wealth band comparisons indicate that ultra-HNWIs (41.3%) are less interested in BigTech offerings than those with US\$1 million–US\$5 million assets (81.2%), possibly because ultra-HNWIs often seek customized offerings and industry expertise that private banks provide.

*The chances are strong that Asia-Pacific (excl. Japan) HNWIs would consider a relationship with BigTechs that are prepared to meet their needs.* HNWIs say BigTechs' highly-intuitive customer experience and low-cost business models are attractive. While BigTechs are likely to offer competitive fee structures, most HNWIs across Asia-Pacific (excl. Japan) and the rest of the world say they also expect efficiency and innovation (Figure 16).

<sup>24</sup> BigTech: A general term to cover data-driven technology firms not traditionally present in financial services, such as Alibaba, Amazon, Apple, Facebook, Google, and Tencent

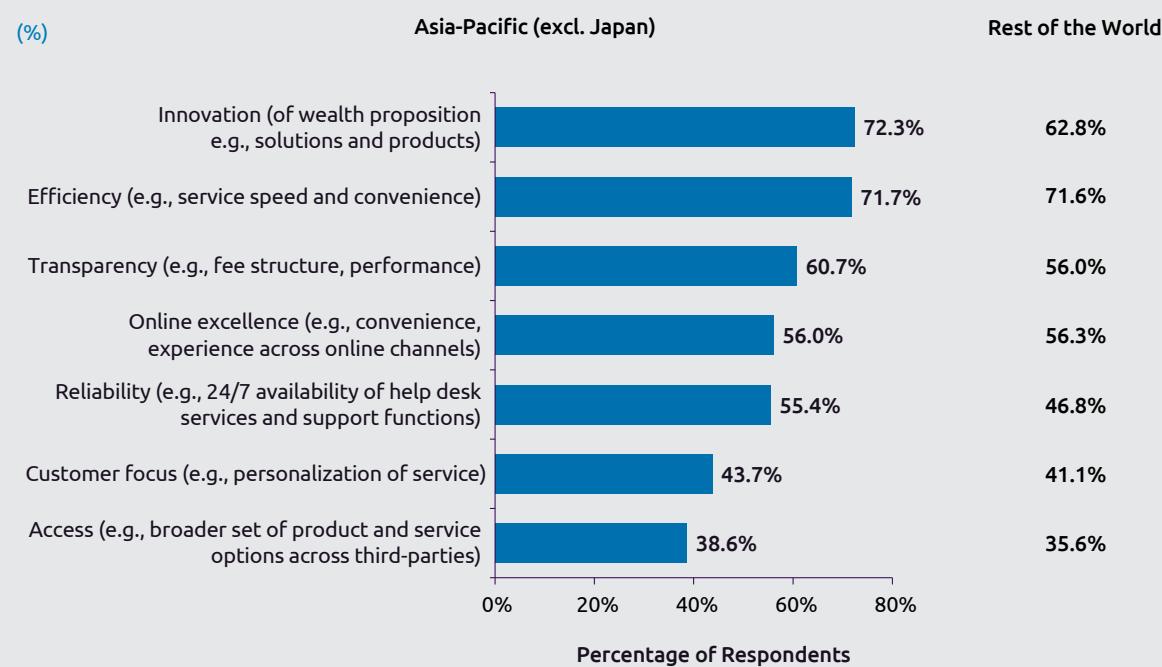
**Figure 15. HNWI Propensity Towards Wealth Offerings from BigTechs, Q2 2017–Q1 2018, Asia-Pacific (excl. Japan) and Rest of the World**



Note: Question asked: "If technology firms such as Google, Apple, Facebook, or Amazon were to offer wealth management services, would you consider becoming a client?"; Please indicate response as Yes or No; Responses of Yes have been shown in the chart above

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

**Figure 16. HNWI Expectations from Tech Firms, Q1 2018, Asia-Pacific (excl. Japan) and Rest of the World**



Note: Question asked: "What would you expect from a wealth management service provided by firms such as Google, Apple, Facebook, Amazon, Alibaba or Tencent?"; Please indicate response as Yes or No; Responses of Yes have been shown in the chart above

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018

HNWIs in Mature Asian markets – Singapore (82.4%), Malaysia (79.0%), and Hong Kong (76.3%) – expect high efficiency from BigTechs compared with their Emerging-Market counterparts.

Google was ranked as the most preferred BigTech firm by far. However, regional variations exist in Asia-Pacific (excl. Japan), with firms such as Alibaba and Tencent in strong demand across China and Hong Kong.

Overall, 52.6% of Asia-Pacific (excl. Japan) HNWIs said they were highly interested in a wealth management relationship with Alibaba, second to Google at 60.8%. Interest in Alibaba is also significant across the Asia-Pacific markets of Hong Kong (24.1%), India (42.0%), and China (72.4%). Notably, as Google prioritizes acquisition and compliance with strict Chinese regulations, it is slowly building its Chinese market presence.<sup>25</sup> China's market for reliable wealth management products is becoming more robust, thanks to BigTech sales of funds and banking products. For example, Alibaba spin-off Ant Financial is the highest-valued FinTech company in the world.<sup>26</sup> With a laser focus on acquisition strategy, Alibaba is building an ecosystem to cater to traditional finance firms, and many of these firms believe that Alibaba has the potential to become a dominant wealth management player and will enter the industry via collaborative and competitive strategies (Figure 17).

BigTechs have access to large volumes of customer data and proximity that gives them an edge over traditional players. The implications of BigTech competition are daunting, with potential asset transfer from Asia-Pacific (excl. Japan) HNWIs to BigTech service providers projected to be nearly US\$4.0 trillion.<sup>27</sup>

As tech giants challenge the dominance of Asia's traditional wealth management firms by targeting their clients, incumbents are realizing the depth of the BigTech threat. *As a result, transformational urgency is becoming acute as wealth managers' top and bottom lines are impacted.*

Wealth managers throughout Asia-Pacific now acknowledge the impact of BigTech's potential entry into the sector. Executives interviewed for the Asia-Pacific Wealth Report 2018 said BigTechs have an edge over wealth management firms with their technical expertise and brand popularity.

*"HNWIs, especially the younger ones, will be interested in BigTech offerings, but security and privacy remain major concerns. BigTech will affect the digital strategy wealth management firms adopt and the value proposition they offer."*

CEO of Private Bank, Asia-Pacific

*"The BigTechs will have an important role to play in the market which will be determined by their value proposition, hygiene factors, and openness of the ecosystem."*

COO and Head of Digital Private Bank, Asia Pacific

*"BigTechs can leverage their strong presence in the payments domain to cross-sell their products in insurance and other industries."*

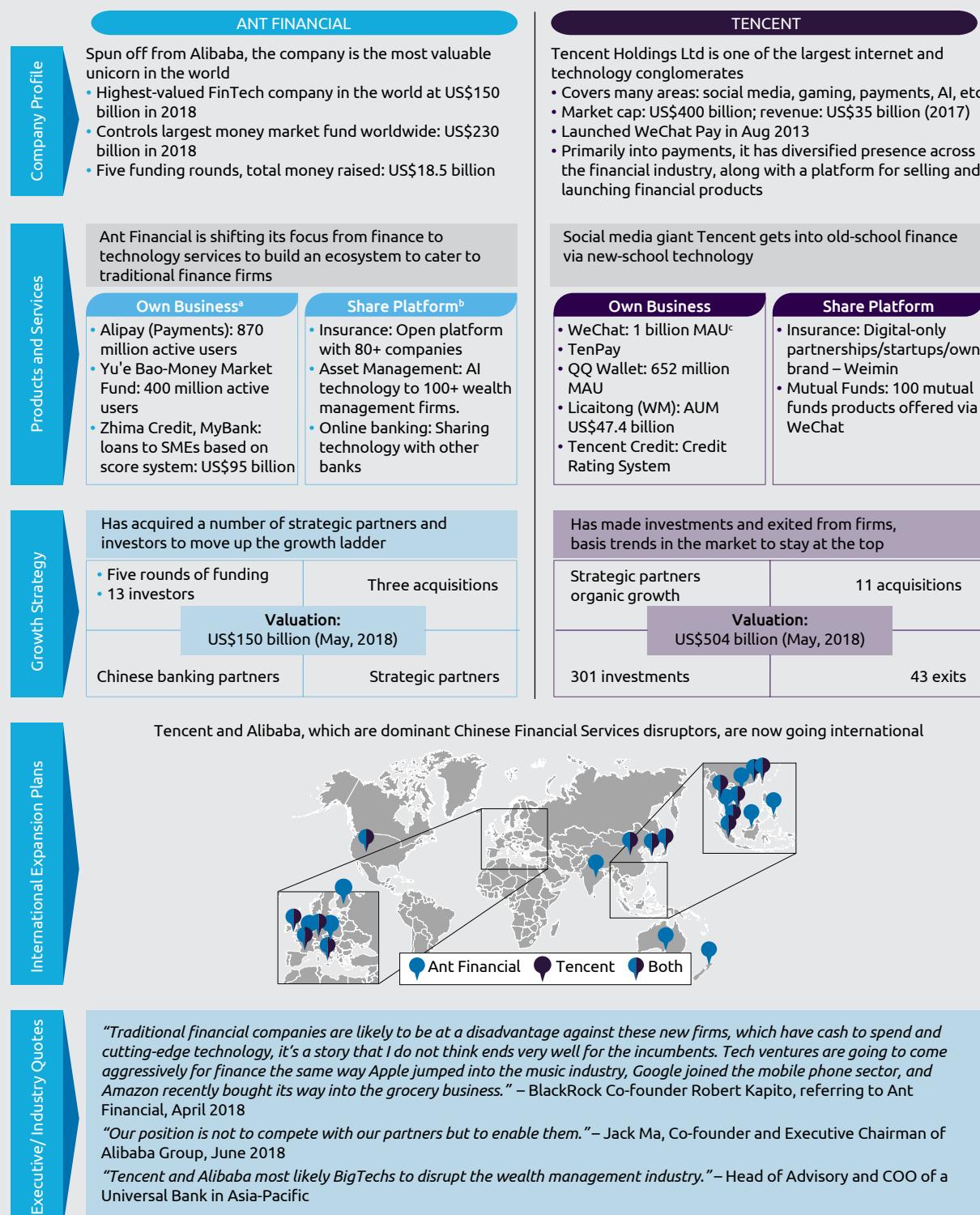
COO and Head of Investment Services of Wealth Management Firm, Asia-Pacific

25 Bloomberg, "Google Is in Talks With Tencent and Inspur for China Cloud, Sources Say," August 5, 2018, <https://www.bloomberg.com/news/articles/2018-08-06/google-is-said-in-talks-with-tencent-inspur-for-china-cloud>

26 CB Insights, "What The Largest Global Fintech Can Teach Us About What's Next In Financial Services," October 4, 2018, <https://www.cbinsights.com/research/ant-financial-alipay-fintech>

27 The numbers are based on calculating the midpoint of HNWIs allocation range to BigTechs over the percentage of HNWIs willing to allocate their wealth to them. 2017 HNWI wealth figures have been used to arrive at the final allocation numbers

**Figure 17. Tencent and Ant Financial – BigTechs Changing the Wealth Management Landscape**



- a. Own Business: The business decision and technology platform are owned and controlled by the company  
b. Share Platform: The company shares its technology platform with strategic partners, enabling them to deliver their products and services  
c. MAU: Monthly Active Users

Note: Ant Financial, formerly known as Alipay, was rebranded in October 2014 to Ant Financial and currently holds all its FS units (Alipay, insurance, money market funds, etc.); The analysis is as of May 2018

Source: Capgemini Financial Services Analysis, 2018; CNBC; Financial Times; Alizila; CBInsights; Tencent; South China Morning Post; Caixin Global; Techinasia; Reuters; Fortune

## Multiple scenarios for BigTechs to enter the wealth management space

The following potential scenarios and models for BigTechs to enter wealth management have been analyzed across segments: Compete, Collaborate, Frenemy, and other (for detailed analysis refer to Appendix B on page 38). White-labeling an existing wealth management firm's products and services offers one route to a mutually-beneficial collaborative partnership, while a frenemy relationship could arise from an incumbent's use of a BigTech's utility, leveraging BigTech technology and operational scale to outsource back- and middle-office processes. At the same time, BigTechs will compete with universal banks in areas such as payments, loans, and insurance.

*There is a strong consensus among Asia-Pacific wealth management firms that collaboration models will be the key entry mode into the region, although disruptive market entry based on competition cannot be ruled out.*

- Within the **Collaborate** segment, BigTechs can focus on client acquisition, distribution, and other hygiene factors while traditional wealth management firms can provide investment expertise.
- In the **Compete** segment, the most likely scenario would be a merger between a BigTech and a non-traditional wealth management firm such as an online broker or life insurer. This will serve the mass-affluent segment, which is increasingly overlooked by private banks.
- Overall, **Frenemy** (cooperation) entry models are more likely than outright competition. However, because BigTechs have already ventured into other financial services – such as payments, loans, and insurance – an attempt to enter wealth management may lead to both Compete and Collaborate models with wealth management firms.

*"Collaborate instead of fighting them. BigTechs can simplify the hygiene factors such as payments, transaction processing, back-end services, and improve efficiency."*

CEO, Wealth Management Firm in Asia-Pacific

*"Wealth management firms need to partner with BigTechs and leverage their messaging and e-commerce platforms. Basically, look at what BigTechs do now and overlay that on wealth services."*

Industry Analyst, North America

*"The most likely mode of entry is through a partnership as it would create a perfect mix of – Access, Technology, Convenience, Agility, and Credibility."*

COO and Head of Advisory for Asia-Pacific of a Global Bank

*"Collaboration would be the strategic model, mostly white labeling of products (mass affluent)."'*

CEO, Wealth Management Firm in Asia-Pacific

As pointed out earlier (pages 17 and 27), clients have become accustomed to the benefits of digital experiences in other areas of their lives. Their new digital expectations open the door for BigTechs to capitalize on HNWIs' low hybrid-model satisfaction levels and make inroads into wealth management – especially targeting the wealth segment with assets between US\$1 million and US\$5 million, which is often underserved by private banks as account minimums are raised.

HNWIs' low satisfaction with their primary wealth management firm's digital maturity and hybrid offerings widens BigTechs' entry path to the Asia-Pacific region, especially in major financial hubs (Singapore and Hong Kong). HNWI satisfaction with hybrid advice in Singapore and Hong Kong are very low at 46.5% and 29.6%, respectively. The two markets also have low digital maturity satisfaction at 43.0% (Singapore) and 20.4% (Hong Kong). *Tepid satisfaction creates an opportunity for BigTechs to cross-sell wealth management products along with their already existing financial products.*

BigTechs such as Google and Apple also have large payments customer bases which they can use to promote wealth management products. Alibaba and Tencent successfully ventured into the wealth management domain via their other financial offerings. They have AUM of approximately US\$345 billion and US\$47 billion under their wealth management businesses, respectively.<sup>28,29</sup>

*In addition to the current low satisfaction, BigTechs' entry into wealth management has been bolstered by growing interest from underserved lower wealth band HNWIs.* Over 81% of Asia-Pacific (excl. Japan) HNWIs holding assets between US\$1 million and US\$5 million are interested in BigTech services. Because private banks usually focus less on the US\$1 million to US\$5 million wealth band these HNWIs may become a major customer segment for BigTechs. As mentioned earlier, ultra-HNWIs are much less interested in BigTech services because private banks are better at meeting their needs.

28 Kr Asia, "Today's Tech Headlines: Ant Financial claims 622m users and has \$345bn worth of assets", May 18, 2018, <https://console.kr-asia.com/todays-tech-headlines-ant-financial-claims-622m-users-and-has-345bn-worth-of-assets>

29 Caixin Global, "Tencent Money-Market Fund Triples in Three Years", March 22, 2018, <https://www.caixinglobal.com/2018-03-22/tencent-money-market-fund-triples-in-three-years-101224888.html>

Several wealth managers across the world expressed the same view:

*"Serving lower end clients is expensive: It would be more beneficial to have an online platform tool they can use 24/7. For some high-end clients (HNWI's) the situation is more complex, they do not prefer managing their wealth with an online tool, they want a real relationship to outsource the management of their fortune."*

Head of Marketing and Client Experience at a Private Global Bank

*"BigTechs are less likely to penetrate the private banking industry; they will focus on services for affluent customers."*

Head of a European Private Bank

Overall, 87.1% of HNWIs in Asia-Pacific (excl. Japan) said they were willing to start a relationship with a BigTech within the next 12 months. In fact, Emerging Asia offers ample opportunities (compared to mature markets) for BigTechs because HNWIs there have

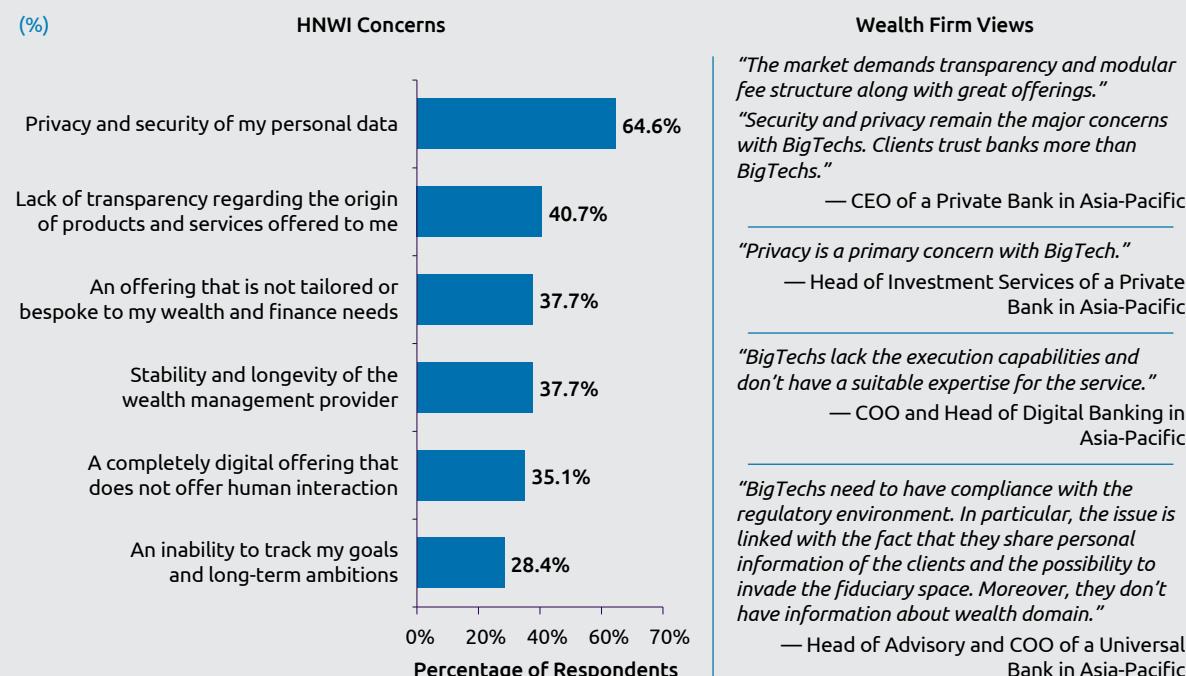
demonstrated strong readiness to switch to BigTech firms within a year—India (95.1%), China (92.4%), and Indonesia (90.0%).

However, there are formidable barriers to BigTechs' successful entry into Asia-Pacific. They may face challenges including a stringent regulatory environment, data privacy concerns, and a lack of investment execution capabilities.

Some important near-term barriers such as lack of investment knowledge and the high cost to enter the industry may also deter BigTechs' foray into wealth management (for a detailed analysis see the World Wealth Report 2018). Moreover, gaining Asia-Pacific (excl. Japan) HNWIs' trust will be critical for BigTechs, given their particular concern with personal data privacy and transparency (Figure 18).

Across Asia-Pacific (excl. Japan), 80.3% of ultra-HNWIs cited lack of transparency as a major concern, compared to 40.8% of HNWIs in the US\$1 million–US\$5 million segment. Among younger (under 40) HNWIs, 64.2% were concerned about privacy as compared to 42.8% for those 60 years and older.

**Figure 18. Concerns with BigTechs, Q1 2018, Asia-Pacific (excl. Japan)**



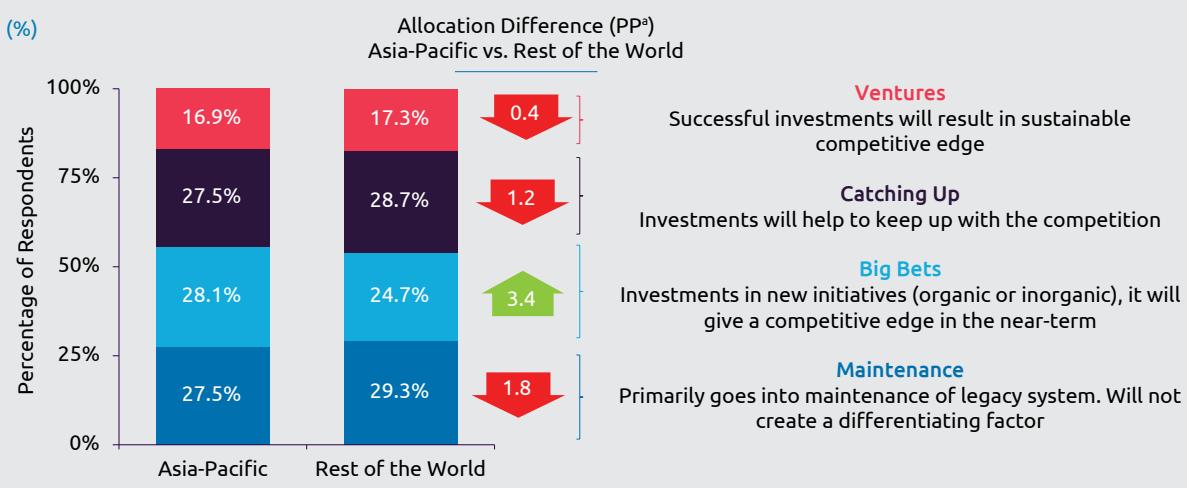
Note: Question asked: "What would concern you about having wealth management service provided by technology firms such as Google, Apple, Facebook, Amazon, Alibaba or Tencent?"; Please indicate response as Yes or No; Responses of Yes have been shown in the chart above; "What do you believe a BigTech would differentiate on in terms of a wealth management proposition, and what would a BigTech find challenging to overcome?"; Executive quotes have been shown

Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018; Executive Interviews 2018

# Wealth management firms must prepare to invest for success to cope with an evolving landscape

Irrespective of the BigTech entry model or the wealth segment they target first, wealth management firms in Asia will need to evolve how they invest for success in a disrupted landscape. A shift to innovative budgeting approaches, as well as strategic investments in emerging technologies, can support business model transformation (Figure 19).

**Figure 19. Investment Budget Allocations, Q1 2018, Asia-Pacific and Rest of the World**



## Industry views

*"In Asia, we have a completely transformed delivery model. The three year roadmap is about building capacity and not revenue. Focus is on niche market, niche product and niche segment."*

— CEO, Global Wealth Management Firm in Europe

*"When you're taking actions to be the first mover in the market, it allows you to try things out and gives you the space to make possible mistakes: You are pro-active and anticipate on trends."*

— COO and Head of Digital Banking in Asia-Pacific

*"The level of the investments required depends on the stage of the transformation process and analyzing the cost revenue ratio."*

— Head of Advisory and COO of a Universal Bank in Asia-Pacific

- a. PP denotes the percentage point difference between Asia-Pacific and the Rest of the World  
 Note: Question asked: "How does your overall investment budget break down across key categories?"; Imagine you have 20 'investment chips' to allocate across key categories, based on monetary investment.; Executive Responses have been shown in the chart above  
 Source: Capgemini Financial Services Analysis, 2018; Capgemini Global HNW Insights Survey 2018; Executive Interviews 2018

Exponential change in the industry requires a new, four-pillar Budget 2.0 approach:

1. **Catch-up:** Investments allocated to upgrading tools, processes, and platforms deemed subpar in comparison with the competition. The intent is to retain competitiveness.
2. **Maintenance:** Ongoing investments in legacy systems, process improvement, training, and talent, etc. (not a differentiator).
3. **Big Bets:** Investments in significant new initiatives, such as M&A, new markets, new segments, new platforms, and new propositions. The intent is to differentiate the firm from the competition.
4. **Ventures:** Investments in experimental areas such as tools, FinTechs, direct acquisitions, new models, etc. The goal is to support internal knowledge building that may generate ROI over a longer-term period, or possibly not at all.

While Asia-Pacific wealth management firms are investing heavily in Big Bets, considerable effort is also being devoted to Catching up and Maintenance activities. On average, Asia-Pacific firms spend 28.1% of their digital transformation budget on Big Bets compared with 24.7% by firms in the rest of the world (Figure 19). The lower rest of the world allocation on Big Bets is attributable to higher allocations (58.0%) for Catching up and Maintenance initiatives.

Asia-Pacific wealth management firms allocated a substantial budget (16.9%) to Venture initiatives. Although venture investments are risky and may not deliver short-term returns, eventual success may provide long-term competitive advantages.

*Asia-Pacific firms now realize that investments in the right technologies will help them steer their business model transformation activities.* For example, 80.0% of Asia-Pacific wealth management firms are expected to adopt artificial intelligence (AI) and intelligent automation, followed by open APIs by 60.0%, as primary emerging technology focus areas.

Several firms across Asia-Pacific have leveraged these technologies to increase their productivity by automating repetitive tasks. In 2017, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation started working to implement robotic process automation (RPA), which will potentially help

the banks save US\$450 million by 2020.<sup>30</sup> The goals of the RPA implementation were improved compliance, risk management, and information gathering. By the end of the year, ~400,000 hours of savings were achieved.

Another example is of Singapore-based United Overseas Bank that introduced virtual employees to support its trade processing operations. The bank was able to cut transaction processing time in half and plans to introduce additional robots for other operational processes.<sup>31</sup>

*In fact, digital transformation is now a strategic activity for many wealth management firms.* Across the globe, wealth management firms are dedicating resources (people and budget) to transformation programs. One example is that of a global private bank that recently adopted a streamlined budgeting process for its digital transformation journey: A global private bank collaborated with proven tech innovators to avoid time-consuming in-house solution development, leaving them free to focus on their core business. Funding for the transformation initiatives came from a dedicated digitization and new initiatives budget. Finally, the bank established a transformation board to evaluate the transformative initiative on qualitative (experience) and quantitative (returns) aspects.

Faced with accelerating disruption and the need for technology transformation, change management will become critical to incumbents. They will require not only a shift in mindset but also a deep focus on embedding agile approaches within their organizations.

## The way forward for Asia-Pacific firms

The direction for the industry seems clear. Although entry modes may not be certain, BigTechs are sure to cross the Asia-Pacific wealth management threshold at some point. Wealth management firms must choose between standing still or preparing for the transformation.

*If they need any further motivation to begin their transformations, it may come from the words of Alibaba co-founder and executive chairman Jack Ma: "If the banks don't change, we will change the banks."*<sup>32</sup>

<sup>30</sup> UiPath, "A major milestone was reached this year in the successful evolution and scale of the RPA market," Mina Deckard, November 13, 2017, <https://www.uipath.com/blog/one-of-the-worlds-largest-rpa-initiatives-powered-by-uipath>

<sup>31</sup> The Edge, Singapore, "UOB welcomes new robot staff Amy and Eve to its workforce," PC Lee, November 22, 2017, <https://www.theedgesingapore.com/uob-welcomes-new-robot-staffamy-and-eve-its-workforce>

<sup>32</sup> Financial Times, "Alibaba: shaking up Chinese finance," Lydia Guo, July 1, 2013, <https://www.ft.com/content/0cae83c4-c936-367c-9bf8-d5a082c9597e>



# Appendix A

## Market sizing methodology

The 2018 Asia-Pacific Wealth Report focuses on 11 core markets: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Thailand, and Taiwan. The market-sizing model includes 18 countries and territories (i.e., the 11 core markets plus New Zealand, Kazakhstan, Myanmar, Pakistan, Philippines, Sri Lanka, and Vietnam) in its Asia-Pacific coverage.

We estimate the size and growth of wealth in various regions using the Capgemini Lorenz curve methodology, which was originally developed during consulting engagements in the 1980s. It is updated on an annual basis to calculate the value of HNWI investable wealth at a macro level.

The model is built in two stages: the estimation of total wealth by country, and the distribution of this wealth across the adult population in that country. Total wealth levels by country are estimated using national account statistics from recognized sources, such as the International Monetary Fund and the World Bank, to identify the total amount of national savings in each year. These are added over time to arrive at total accumulated country wealth. As this captures financial assets at book value, the final figures are adjusted using world stock indexes to reflect the market value of the equity portion of HNWI wealth.

Wealth distribution by country is based on formulized relationships between wealth and income.

Data on income distribution is provided by the World Bank, the Economist Intelligence Unit, and national statistics. We then use the resulting Lorenz curves to distribute wealth across the adult population in each country. To arrive at investable wealth as a proportion of total wealth, we use statistics from countries with available data to calculate their investable wealth figures and extrapolate these findings to the rest of the world. Each year, we continue to enhance our macroeconomic model with increased analysis of domestic economic factors that influence wealth creation. We work with colleagues from several firms around the globe to best account for the impact of domestic, fiscal, and monetary policies over time on HNWI wealth generation.

The investable asset figures we publish include the value of private equity holdings stated at book value, as well as all forms of publicly quoted equities, bonds, funds, and cash deposits. They exclude collectibles, consumables, consumer durables, and real estate used for primary residences. Offshore investments are theoretically accounted for, but only insofar as countries are able to make accurate estimates of relative flows of property and investment in and out of their jurisdictions. We account for undeclared savings in the report.

Given exchange rate fluctuations over recent years, particularly with respect to the U.S. dollar, we assess the impact of currency fluctuations on our results. From our analysis, we conclude that our methodology is robust, and exchange rate fluctuations do not have a significant impact on the findings.

## 2018 Global High Net Worth Insights Survey

The Capgemini 2018 Global HNW Insights Survey queried more than 2,600 HNWIs across 19 major wealth markets in North America, Latin America, Europe, and Asia-Pacific. Over 1,200 HNWIs were surveyed in Asia-Pacific across the eight major markets of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, and Singapore.

The Global HNW Insights Survey was administered in January and February 2018 in collaboration with Scorpio Partnership, a firm with 20 years of experience in conducting private client and professional advisor interviews in the wealth management industry.

The 2018 survey covered key areas around HNWI investment behavior including asset allocation, and account aggregation. The survey measured current HNWI investment behavioral patterns of global HNWIs,

including their asset allocation preferences as well as the geographic allocations of their investments. The survey also covered the quality of HNWIs' personal connection with wealth managers. In addition, the survey focused on understanding the customer interactions (through wealth manager or digital channels) with the firms

To arrive at global and regional values, country- and region-level weightings, based on the respective share of the global HNWI population, were used. This was done to ensure that the survey results are representative of the actual HNWI population.

For more interactive and historical data at a regional and country level for market sizing and the Global High Net Worth Insights Survey, please visit:

[www.worldwealthreport.com/apwr](http://www.worldwealthreport.com/apwr)

# Appendix B

**Figure 25. BigTech Entry Models**

Market Dynamic	Model	Example Model Scenario/ Attributes	Model Enablers (Examples)	Model Barriers (Examples)
A. COMPETE	<b>ORGANIC NON- TRADITIONAL PARTNERSHIPS/ ALLIANCES</b>	<ul style="list-style-type: none"> <li>Rather than tie-up with traditional wealth management firms, BigTechs look for complementary Financial Services partners such as life insurance firms or online brokers for a “dual disruption”</li> <li><u>Example(s):</u> Forming a partnership with Vanguard or Schwab in the U.S., wherein the broker partner brings the product access and expertise, and the BigTech leverages the client reach and digital capability</li> </ul>	<ul style="list-style-type: none"> <li>Tie-ups with firms that share similar “disruptor/digital DNA”</li> <li>Complementary capabilities (e.g., online broker has regulatory and product/transaction capability, while BigTech has the access to clients and the digital innovation capability)</li> <li>Alignment to market-specific scenarios (e.g., the broker-based wealth management model in the U.S.)</li> </ul>	<ul style="list-style-type: none"> <li>Partner interest (potential concerns over longer-term as to whether the BigTech will eventually no longer need them)</li> <li>May only be applicable to “specific markets (such as the U.S.)”</li> </ul>
	<b>INDIRECT ATTACK FOUNDATION</b>	<ul style="list-style-type: none"> <li>BigTechs focus on attacking the core of a universal bank’s business (retail bank offerings such as payments and loans)</li> <li>As a result, banks are unable to cross-subsidize business units to the extent possible previously</li> <li>Wealth management units have to be sold off</li> </ul>	<ul style="list-style-type: none"> <li>Already started/ underway (via BigTechs entering payments, loans, and insurance industries)”</li> </ul>	<ul style="list-style-type: none"> <li>The extent of bank profit erosion achieved</li> <li>Government and regulatory reaction (especially in the case of job losses or loss of country-level competitiveness)</li> </ul>
	<b>INORGANIC ACQUIRE OTHER WEALTH CAPABILITY (E.G., AUTOMATED ADVISOR)</b>	<ul style="list-style-type: none"> <li>Building on the momentum created by FinTech start-ups (while also noting their challenges to build scale), the BigTech acquires one of the market leaders (whose founders are looking for an exit) to formally enter the wealth management industry</li> <li>Over-time, the roadmap could allow for the addition of more holistic services (such as third-party specialist capability referral mechanism) and human support components (such as a call centre for questions that cannot be handled by chatbot)</li> </ul>	<ul style="list-style-type: none"> <li>Firm culture/DNA and business model match</li> <li>Allows lower risk market entry (e.g., launch in a specific jurisdiction to learn)</li> <li>Start-up founders looking for exit</li> </ul>	<ul style="list-style-type: none"> <li>Inability to scaleup the investment expertise to differentiate from others (e.g., online brokers in the U.S. and the online offerings of traditional wealth management firms)</li> </ul>

■ Higher Likelihood ■ Moderate Likelihood ■ Unlikely

Source: Capgemini Financial Services Analysis, 2018

**Figure 25. BigTech Entry Models (Continued)**

Market Dynamic	Model	Example Model Scenario/ Attributes	Model Enablers (Examples)	Model Barriers (Examples)
A. COMPETE	ORGANIC IN-HOUSE DEVELOPMENT	<ul style="list-style-type: none"> <li>BigTechs begin their financial services expansion with retail banking services such as payments and loans</li> <li>As expertise and regulatory experience is developed, BigTechs begin to offer more complex wealth management propositions via in-house capability development</li> <li>Likely to focus on the base of the wealth pyramid, and not target private banking initially</li> <li><u>Example(s):</u> Building an in-house wealth management "expert" team supported by a strong digital platform and call centre for more difficult client support</li> </ul>	<ul style="list-style-type: none"> <li>Can be "layered" onto existing efforts to build payments and other retail banking services</li> </ul>	<ul style="list-style-type: none"> <li>Lack of regulatory expertise</li> <li>Lack of wealth management expertise</li> <li>Unclear match with core BigTech DNA (as model moves towards more traditional wealth management proposition)</li> </ul>
	INORGANIC ACQUIRE WEALTH MANAGEMENT FIRM	<ul style="list-style-type: none"> <li>A BigTech firm, after experimenting with core financial services such as payments and loans, makes a major statement by acquiring a medium-sized wealth management firm</li> <li>Acquired firm will likely be in a specific "test bed" market (such as China) and with a business model that caters to lower wealth segments</li> </ul>	<ul style="list-style-type: none"> <li>Wealth management firm consolidation (especially in markets like Asia-Pacific)</li> <li>Gives BigTech a wealth management license, key human capital, and a regulatory foundation</li> </ul>	<ul style="list-style-type: none"> <li>Inheriting legacy issues (e.g., weak propositions, hidden compliance issues, under-performing human capital)</li> <li>Culture clash and lack of business model/DNA alignment</li> </ul>
B. FRENEMIES	UTILITY SERVICES PROVIDER	<ul style="list-style-type: none"> <li>Building on their powerful technology engines and ability to run highly efficient processes, BigTechs seek to support wealth management firms with the "hygiene" elements of their businesses</li> <li><u>Example(s):</u> Account payments, transaction processing, and back-end services such as trade processing</li> </ul>	<ul style="list-style-type: none"> <li>Wealth management firms seeking to drive operational efficiency (to save costs and increase time and investment spent on proposition development)</li> <li>BigTechs such as Amazon ("Amazon Web Services") already heavily involved with financial services firms as a cloud services provider</li> </ul>	<ul style="list-style-type: none"> <li>Regulations (though likely only in some areas such as asset custody, with others possible to be outsourced)</li> <li>Profitability expectations from the BigTech (will need to be a volume play)</li> </ul>

■ Higher Likelihood ■ Moderate Likelihood ■ Unlikely

Source: Capgemini Financial Services Analysis, 2018

**Figure 25. BigTech Entry Models (Continued)**

<b>Market Dynamic</b>	<b>Model</b>	<b>Example Model Scenario/ Attributes</b>	<b>Model Enablers (Examples)</b>	<b>Model Barriers (Examples)</b>
<b>B. FRENEMIES</b>	<b>WEALTH MANAGEMENT SERVICES PLAYER</b>	<ul style="list-style-type: none"> <li>The BigTech decides to enter wealth management, but in a B2B2C services model using innovative capabilities</li> <li><u>Example(s):</u> BigTech acquires an account aggregation firm (financial and non-financial data) to obtain HNW client financial data (without regulatory issues) and to drive transparency in the market, which it can then license or sell in some capacity to traditional wealth management firms for a "holistic" client-view build-out (incorporating behavioral and psychographic lenses into service provision)</li> </ul>	<ul style="list-style-type: none"> <li>Taps into trend towards transparency</li> <li>Provides compelling value-add to the client proposition (and can be industry-wide rather than bank-centric)</li> <li>Strategic alignment with the DNA and business model of several BigTechs</li> </ul>	<ul style="list-style-type: none"> <li>Availability of viable services firms to acquire or partner with</li> <li>Picking the right area on which to focus investment (wide range of potential services)</li> <li>Incumbent hesitation to allow such increased transparency</li> </ul>
	<b>AD-HOC CAPABILITY SHARING</b>	<ul style="list-style-type: none"> <li>Mutual capability servicing on an ad-hoc basis</li> <li><u>Example(s):</u> Banks/wealth management firms can support BigTechs in their own areas of specialty (an example from the payments space would be a bank helping a BigTech set-up their e-wallet for e-commerce transactions, helping the BigTech to save millions of dollars in merchant discount rate [MDR])</li> </ul>	<ul style="list-style-type: none"> <li>Relatively ad-hoc and informal</li> <li>Some discrete financial benefits can be achieved</li> </ul>	<ul style="list-style-type: none"> <li>Not a disruptive play for either side</li> </ul>
<b>C. COLLABORATE</b>	<b>WHITE LABELLING/ DISTRIBUTION</b>	<ul style="list-style-type: none"> <li>BigTechs decide to play to their strengths, focused around targeting propositions to their existing mass client install base using deep data. In this model, they leave the financial expertise to the incumbent firms</li> <li><u>Example(s):</u> BigTech white labels partner wealth management firms' products and funds to its existing install base of clients, using data-driven marketing to micro-target offerings to the most relevant clients</li> <li><u>Example(s):</u> BigTech serves as a marketplace for wealth management products and solutions, with incumbent firms feeding their offerings into the platform for prospective clients to browse and select</li> </ul>	<ul style="list-style-type: none"> <li>Taps into trend towards transparency</li> <li>Targets clients where they already are (on their smartphones) – Low client acquisition costs</li> <li>Improved client adoption given micro targeting</li> <li>Strategic alignment with the DNA and business model of several BigTechs</li> </ul>	<ul style="list-style-type: none"> <li>Some areas (e.g., serving as a product/solution marketplace) will only apply to those wealth management firms with manufacturing/asset management arms</li> <li>Incumbent hesitation to allow such increased transparency (and potential price erosion)</li> <li>Loss of incumbent brand visibility (in case of white labelling)</li> </ul>

Higher Likelihood      Moderate Likelihood      Unlikely

Source: Capgemini Financial Services Analysis, 2018

**Figure 25. BigTech Entry Models (Continued)**

<b>Market Dynamic</b>	<b>Model</b>	<b>Example Model Scenario/ Attributes</b>	<b>Model Enablers (Examples)</b>	<b>Model Barriers (Examples)</b>
<b>C. COLLABORATE</b>	<b>SELECTIVE PARTNERSHIP (E.G., MESSAGING PLATFORMS)</b>	<ul style="list-style-type: none"> <li>Identification of specific collaboration areas, likely beginning with trial markets or propositions that could eventually be scaled up</li> <li><u>Example(s):</u> Messaging-based “service add-on” wherein a firm like Tencent (via WeChat) partners with a wealth management firm to provide a bank-specific application/service on clients’ phones. Capabilities could include portfolio access and reporting (real-time), currency conversion (real-time), peer-to-peer discussion on investment ideas and their portfolio breakdown, and compliant client communications</li> </ul>	<ul style="list-style-type: none"> <li>Targets clients where they already are (on their smartphones) – Low client acquisition costs</li> <li>Gives innovative brand to the incumbent (as well as capabilities that many banks lack on digital platforms, such as languages)</li> <li>Increases engagement with clients</li> </ul>	<ul style="list-style-type: none"> <li>Security concerns and regulatory restrictions</li> <li>Potential for drop in revenue with new pricing models for message-based engagement and transacting</li> </ul>
	<b>JOINT VENTURE</b>	<ul style="list-style-type: none"> <li>BigTech firm seeks to make a major entry into wealth management, but realizes that it does not have the required capabilities and expertise, and does not wish to invest the significant amount it will take to build itself</li> <li>As a result, seeks out an innovative market-leading wealth management firm to launch an exclusive joint venture, likely targeting a specific test-bed market, segment, or service</li> </ul>	<ul style="list-style-type: none"> <li>Lower capital investment</li> <li>Reduced operational complexity and risk</li> <li>Deeper relationship developed with joint venture partner</li> <li>Brand impact (by association with partner)</li> <li>New business models possible</li> </ul>	<ul style="list-style-type: none"> <li>Reduced control over decision making process</li> <li>Allocation of effort and profit</li> <li>Potentially slower go-to-market (than partnership model)</li> <li>Partner interest (potential concerns over longer-term as to whether the BigTech will eventually no longer need them)</li> </ul>
	<b>REFERRALS</b>	<ul style="list-style-type: none"> <li>BigTech firm realizes that there is a significant potential revenue stream by providing lead-generation services to wealth management firms, leveraging the vast data it has on existing and potential new HNW clients</li> <li>The BigTech firm refers potential clients to the wealth management firm, based on their behavior, lifestage, attitudes, and/or needs, in exchange for a fee</li> </ul>	<ul style="list-style-type: none"> <li>Potential simplicity</li> <li>Wealth management firms’ hunger for new clients and assets</li> <li>Ties into many of the BigTech firms’ core DNA (targeted advertising/offers)</li> </ul>	<ul style="list-style-type: none"> <li>Lack of disruptive potential</li> </ul>
<b>D. OTHER</b>	<b>NO MARKET ENTRY</b>	<ul style="list-style-type: none"> <li>BigTech firms weighs all the costs and benefits, and decides not to enter the competitive, regulated, and profitability-constrained wealth management industry</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>N/A</li> </ul>



Source: Capgemini Financial Services Analysis, 2018

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A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

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