Transformation of Asia-Pacific Wealth Management

Capgemini Services

Asia-Pacific Represents a Significant Opportunity for Wealth Management Firms

Global high net worth individual (HNWI)[1] wealth has grown remarkably since Capgemini began to size the market in 1996. Asia-Pacific has been the major story over this period, having evolved from being the third-largest region in 1996 to number one for both HNWI population and financial wealth (since 2015). The total growth over the 1996 to 2016 period was 437.1%, with the region's HNWI wealth having gone from US$3.5 trillion to US$18.8 trillion.

The pace of wealth expansion over the coming decade is likely to cement Asia-Pacific's leadership position. A projection run by Capgemini in 2016 showed that the region's HNWI wealth could surpass US$40 trillion by 2025 if growth rates of the decade spanning 2006–2015 held up over the coming ten years (2015–2025). Such performance would result in an approximately five-fold increase of HNWI wealth over 2006 levels, and a 142% absolute increase over 2015 HNWI wealth levels.

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

Success in Asia-Pacific Requires the Navigation of Significant Challenges

While the Asia-Pacific HNWI wealth landscape is highly exciting, translating this into success for wealth management firms has been a significant challenge.

Spanning **Clients, Operations, Regulations,** and **Digital** (representing the Capgemini CORD framework), disruption is buffeting firms in the region from all angles (see Figure 1). The implication of the disruption has been a highly challenging environment for HNW client satisfaction, cost/ income ratios, and a wave of consolidation in the region as sub-scale firms exit the market.

The pace of CORD disruption is only going to increase over the coming decade, especially as the pace of wealth transfer increases and new threats and challenges arise with increasing frequency and in forms that are often difficult to anticipate.

Figure 1: Future Trends in Asia-Pacific Wealth Management across Clients, Operations, Regulatory, Digital (CORD) Areas

Clients

- **Growth of US$1m–US$2m segment,** which is increasingly under-served
- **Uncertainty in market returns** given the economic forecasts and elevated valuations
- Increased volume of **wealth transfer** from 1st- and 2nd-generation wealth creators
- **Challenges for wealth managers** to build relationships across households to retain assets
- **Heterogeneous demands** of the younger generation
- More **informed and demanding overall client base,** willing to self-serve if firms do not provide compelling proposition
- **Increased financial literacy** of clients to make them more discerning in the way they invest
- **Clients to lookout for active returns (alpha)** in return for management fees

Operations

- Challenges to achieve **scalability** (bespoke vs. off-the-shelf solutions)
- Increase in **use of robotics** (back and middle office especially)
- Increased **pressure on margins and fee models/ transparency**
- **Continued consolidation** with smaller players exiting market
- **Talent shortages** as HNW client base increases but capable wealth managers do not keep pace
- **Geopolitical risks and pressures,** e.g. tax crackdowns, mass migration, and threat of armed conflict
- Ongoing **need to rationalize costs** and **increase productivity/ efficiency** (e.g. staff deployed in expensive locations, high staff to client ratios, and reliance on inefficient collaboration tools such as email)

Regulatory

- An **onslaught of compliance work,** especially in areas still not addressed such as Know-Your-Customer (KYC), Anti-Money Laundering (AML), and Common Reporting Standard (CRS) tax reporting, that are cascading from other regions and increasing the cost to serve
- **Smaller banks to struggle** due to regulatory costs
- Early steps in **harnessing innovation,** such as through regulatory sandboxes for safe experimentation
- **Difficult to predict unilateral measures** (e.g. Indonesia tax amnesty of 2016)
- Potential **increase in fund passporting** across the region, though efforts appear to have stalled since 2016

Digital

- **FinTechs to address service gap** for mass affluent clients
- **Increased threat of BigTech competition** from firms such as Alibaba, Tencent, and Google
- Increased **application of digital** for reducing manpower cost, enhancing client experience, and strategic client targeting and marketing
- Potential **opportunity for FinTechs to disrupt the pension space** in some markets
- Major focus on **IT security**
- Rise in **sophistication of third-party support tools** to wealth firms
- Broader leverage of **account aggregation technology**
- Increased **use of innovation hubs** within wealth management firms
- Increased innovation with **data and analytics**

Source: Capgemini Financial Services Analysis, 2018

Capgemini Helps Wealth Management Firms Transform to Achieve Growth, Efficiency, and Compliance

Whether you are a leader of a retail bank offering wealth management solutions, a private bank, an asset manager, a family office, or a life insurance firm, Capgemini has a suite of services proven to help transform your business to achieve improved growth of revenues and assets, increase efficiency and productivity, and support to minimize risk and enable compliance.

Our transformative solutions for Asia-Pacific wealth management firms are aligned to the executive agenda (see Figure 2), and range from core advisory work in areas such as market entry, digital customer experience, and harnessing the FinTech opportunity, through to the nuts and bolts of operations, core systems transformation, and regulatory-enabled account opening solutions.

Ultimately, we serve as the trusted advisor to our clients, helping you to understand a range of options to deal with disruption, and work with your teams to choose the path forward most aligned to your priorities and existing operational and technology landscape.

Figure 2: Capgemini Asia-Pacific Wealth Management Services

Executive Agenda	Growth	Efficiency and Productivity	Risk and Compliance
Specific Objectives	• Increase shareholder returns • Increase market share • Retain existing asset base • Prepare for the future	• Reduce costs • Improve productivity and efficiency • Increase scale of operations	• Increase prediction of risks • Comply with regulations (e.g. KYC, AML, CRS) • Transform internal compliance and data management operations
How Can Capgemini Help?	***Digital and CX Strategy Design*** • **As-Is** (Net Promoter Score® (NPS®)[a]/ Satisfaction Surveys/ Existing Set-Up) • **To-Be** (Identify To-Be State) • **Implement** (Build, Buy, or Partner) ***Market Intelligence and Entry Strategy*** • **Research/ FactBase Datapacks** • **Opportunity Qualification** • **Market Entry Options** ***Disruption Readiness and Innovation Amplification*** • **Employee Residency** (via Singapore AIE[b]) • **Pilot/ Test** (Proof of Concept [POC] and Minimum Viable Product [MVP]) • **FinTech** (Identify/ Screen/ Certify/ Scale) • **Accelerated Solution Design and Stakeholder Alignment** (via Singapore ASE[c])	***Single Client View Enablement*** • **Customer Relationship Management (CRM)** • **Data Analytics and Insights** ***Advisor Productivity*** • **Mobile Applications** (e.g. 'Email-less Collaboration') ***Core System and Operating Model Transformation*** • **Renew/ Replace** (e.g. Portfolio Management Systems, Workstations) • **Operating Model Improvement** (inc. Offshoring/ Outsourcing of Back Office and Middle Office) ***Technology Efficiency Improvement*** • **Testing Transformation** • **Robotic Process Automation/ Cognitive Automation** • **Cloud/ API/ Micro Services**	***Client On-boarding Transformation*** • **Regulatory-Enabled Account Opening and Client Lifecycle Management** ***Reputational Risk Management*** • **Predictive Listening** ***Compliance Function Transformation*** • **Operating Model Optimization** • **Performance Management** • **Culture Change** ***Data Management Improvement*** • **Data Office Set-up** • **Data Quality Framework** • **Data Management and Governance**
	Other Services **Project Management** (PMO), **Post-Merger Integration** (PMI), **Workshop Facilitation, Certifications and Accredited Courses** (Singapore)		

a Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

b https://www.capgemini.com/service/transformation-innovation/applied-innovation-exchange/

c https://www.capgemini.com/operating-model/accelerated-solutions-environment-ase/

Source: Capgemini Financial Services Analysis, 2018

Examples of Recent Activity in the Asia-Pacific Wealth Management Space

GROWTH

Indonesia Opportunity Assessment (Market FactBase)

Large regional consumer bank

SITUATION
- The bank was considering market expansion into the Indonesian wealth management industry, following 2016 tax amnesty
- Bank's business leaders required market intelligence across market size, client needs, and the market/ competitor landscape

APPROACH
- Capgemini created four deliverables: 1) Size of the Prize; 2) Growth Drivers; 3) Client Needs; 4) Industry Dynamics (inc. Competitor Landscape)
- Research called on Capgemini's Lorenz Curve market sizing model and Global HNW Insights Survey (over 100 questions covering thousands of HNWIs across 23 markets)

VALUE
- Bank ultimately decided to enter the Indonesian market
- Capgemini research was instrumental in supporting decision-making process

PRODUCTIVITY AND COLLABORATION

Investment Insights Application (Proof of Concept)

Leading international private bank in Singapore

SITUATION
- Bank faced a highly inefficient process within its investment function, given the lack of a defined process for information flow between wealth managers and investment teams
- Email was the predominant channel for sharing investment ideas

APPROACH
- Capgemini proposed a mobile application built on the principles of forced daily limitation of ideas and user friendliness
- Program execution called for a low-risk POC delivered using Agile "sprint" principles

VALUE
- Potential to improve internal user experience
- Improvement in end-client servicing (and revenue opportunities)
- Better control over content quality
- Increased process efficiency and compliance
- Scalability potential
- Agile delivery approaches mean fast results
- Minimum investment risk via POC approach

COMPLIANCE

Client Lifecycle Management Transformation

Large regional universal bank

SITUATION
- Bank's existing client onboarding platform presented significant constraints and was not able to adapt to the changing regulatory regime
- The bank selected a third-party client lifecycle management technology solution to address the challenges

APPROACH
- Capgemini worked with the bank and technology partner to create an implementation roadmap
- Capgemini worked with the bank to identify all the integration and data migration requirements and on-boarded an onsite-offshore team to execute the roadmap
- Capgemini is executing independent quality assurance (QA) for the integrated platform

VALUE
- CoE created with the technology partner is helping the bank with the journey
- Offshore location leverage to deliver cost-efficient solution
- Availability of key skills as per roadmap

ACCELERATED SOLUTIONING

Inter-Generational Wealth Transfer Solution Development (Workshop)

Singapore regulatory body and multiple wealth management firms

SITUATION
- Regulator asked Capgemini to design and facilitate a MasterClass with senior leaders from wealth management firms
- Objective was to share Capgemini point-of-view on the current situation with inter-generational wealth transfer in Asia, and to generate solutions via working groups

APPROACH
- Using the Capgemini Singapore ASE (and our design-thinking methodology), we created a half-day agenda for our ~30 participants
- The core modules were: 1) Presentation on wealth transfer in Asia; 2) Visualization session on future client types; 3) Brainstorming of current strengths and challenges; 4) Solution design break-outs

VALUE
- Four unique and robust solutions shared with the regulator for consideration
- Achieved in half a day, compared with weeks or not at all in a non-ASE environment

Allow Us to Demonstrate Our Value

We understand that trust takes time to develop. This is why we offer numerous ways to get to know us and learn from our expertise at no cost. If you are a leader of a business operating in the wealth management space, we would be delighted to offer you the following complimentary opportunities to learn more:

- **Arrange a personalized presentation of our point of view on the industry in Asia-Pacific** (could be in the form of a boardroom presentation to your leadership teams to support business planning, at HNW client networking events to increase intimacy with your client base, or an advisor-education session, among others)
- **Attend our regular "What's Now" events in Singapore** (recent events covered Blockchain and Cloud, with each attended by over 100 individuals from financial services firms, universities, and third-party service providers)
- **Tour our Applied Innovation Exchange (AIE) in Singapore** (and potentially participate in a demo with relevant solution providers from our curated ecosystem of FinTech and technology partners)
- **Lastly, download our industry-leading World Wealth Report (21-year history) and Asia-Pacific Wealth Report (12-year history)** at www.worldwealthreport.com

David P. Wilson

Head of Asia Wealth Management
Capgemini Global Financial Services

david.p.wilson@capgemini.com
+65 8518 3647

To learn more:

Visit us at **www.capgemini.com/wealth**
or contact us at **wealth@capgemini.com**

About Capgemini

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 2016 global revenues of EUR 12.5 billion.

Learn more about us at
www.capgemini.com

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