

Improving Financial Advisor Productivity through Automation

**How wealth management firms are embracing change
by developing next generation advisor platforms**

People matter, results count.

Contents

1	Abstract	3
----------	-----------------	----------

2	Changing Face of the Wealth Management Industry	4
2.1	Key Challenges for Wealth Management Firms	4
2.2	Reasons for Low Advisor Productivity	4
2.3	Importance of Automation to Advisor Productivity	5

3	Gaps and Challenges in Existing Advisor Platforms	6
----------	--	----------

4	Next Generation Advisor Platforms	8
4.1	Key Functionalities of a Next Generation Advisor Platform	8
4.2	Key Components and Advantages of a Next Generation Advisor Platform	9
4.3	Upgrading the Existing Advisor Platform	10

5	Capgemini Value Proposition	11
----------	------------------------------------	-----------

1 Abstract

The major financial events of the past two years have left the wealth management industry reeling from what could be termed as a perfect storm resulting in new client behaviors, enhanced regulatory oversight, and compliance pressures.

To be successful in the current business climate, wealth management firms require solutions that support personalized client relationships, strong regulatory compliance, and improved advisor productivity. High advisor productivity is expected to be a key focus area for wealth management firms in order to overcome current business challenges, deliver better service to their High Net Worth Individual (HNWI) clients, and drive business growth.

While low advisor productivity has been a perennial challenge across the wealth management industry historically, it is more pronounced in today's context. Low advisor productivity has been a result of manual operations, non-integration of key processes coupled with technology tools, and capabilities silos.

To help financial advisors provide a superior client experience wealth management firms are identifying gaps and challenges in their existing advisor workstations for building an integrated, end-to-end next generation wealth management platform. The centerpiece of this is where advisors leverage their institutions' expertise and resources to meet their client needs.

The purpose of this paper is to help you understand the key challenges faced by wealth management firms around financial advisor productivity, and learn how firms are re-defining advisor capabilities by investing in the next generation advisor platforms.

2 Changing Face of the Wealth Management Industry

2.1. Key Challenges for Wealth Management Firms

The wealth management industry globally faces some tough challenges today due to the dramatic events which un-folded in the last two years:

- Evolved HNWI behaviors and demands, as their trust and confidence remains partly shaken in their wealth management firms and advisors.
- Policymakers have been introducing regulatory measures to strengthen the financial services sector which is now under pressure to comply with these complex requirements.

For firms, this means identifying and confirming the market segments they plan to serve, and operationalizing their chosen client strategies while navigating the operational and regulatory hurdles and shrinking margins that accompany the industry. Enhancing financial advisor productivity will be critical for wealth management firms to:

- Overcome current business challenges and deliver better service to HNWI clients
- Improve advisor capacity which will then result in taking a customer-centric approach in servicing clients
- Manage their operational costs and increase efficiencies to increase their market share and improve their reach

Firms that focus on improving advisor productivity while managing the current business challenges will be well positioned to succeed in the future.

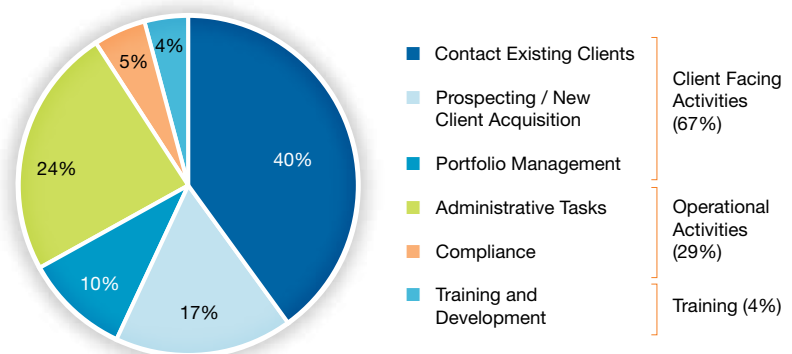
2.2. Reasons for Low Advisor Productivity

Low advisor productivity results from non-integrated processes and technology tools silos, and is pervasive in the global wealth management industry.

Non-client facing, manual functions where advisors spend most of their productive time are due to:

- Account opening processes that are product-centric (and not client-centric)
- Lack of workflow integration with a high level of manual and redundant activities
- Multiple entry points for client data and change
- Lack of unified catalog across products and services
- Multiple client views to source the required client information

Figure 1: Financial Advisor Time Allocation (%), 2009



Source: Capgemini Analysis 2010; PWC Survey, 2009

In the current business environment, the sales cycle has become longer due to a more engaged and knowledgeable investor, resulting in more time consuming advice and service. A typical financial advisor spends around 67 percent of their time on client facing activities such as contacting and servicing existing clients, new client acquisition, and portfolio management services.

Although advisors spend most of their time on client-facing activities, a substantial portion of their total productive time (29 percent) is spent on operational / administrative activities. Advisors spend 24 percent of this on administrative related activities like back-office operations, investment research and client reporting, and around 5 percent on compliance related activities.

Research shows that advisors are spending 25 percent more time on compliance related issues today than they did two years ago.

2.3. Importance of Automation to Advisor Productivity

The wealth management industry needs a well executed strategy around automation of financial advisor tools and platforms. This will assist to transform the delivery of services by bringing together all the relevant customer and investment information into a single portal that delivers a 360° client view. Now, after the financial crisis, wealth management firms are re-defining their advisor capabilities by investing in the development of the next generation advisor platforms that integrate Customer Relationship Management (CRM) capabilities, financial and investment planning, monitoring, reporting, and other functionalities.

Automation can help wealth management firms to :

- Increase advisor productivity
- Improve operational efficiency
- Achieve better client and business insights
- Increase their market share and improve reach

3 Gaps and Challenges in Existing Advisor Platforms

“As wealth managers embrace client-driven business models, they must consider whether their advisor platforms are up to the task”

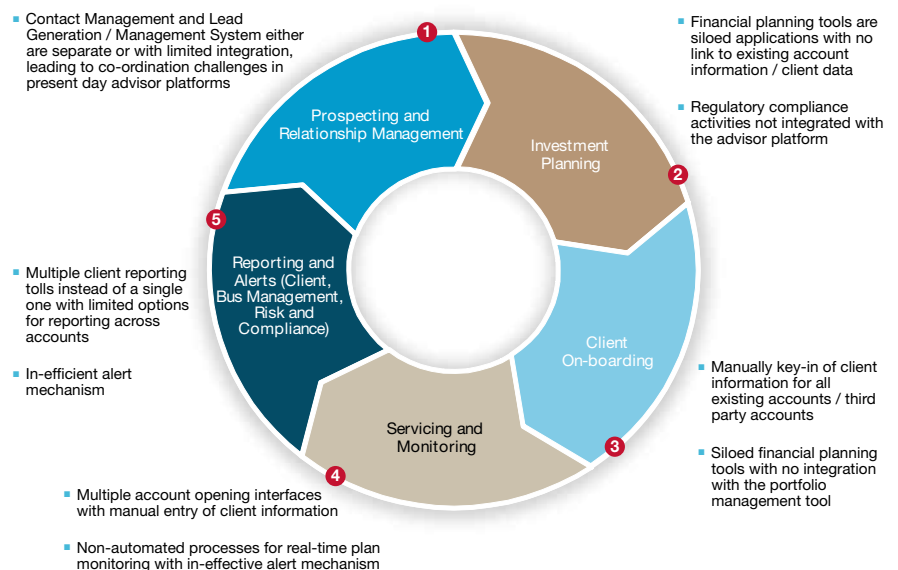
Traditional technology solutions that were implemented across the wealth management value chain have resulted in inefficiencies due to numerous redundancies. To upgrade the existing advisor platforms, firms have to evaluate their current advisor tools, systems, and components to identify gaps and challenges.

The current set of applications / tools has many data and workflow gaps, most of which can be resolved by integrating data and applications under the advisor platform umbrella.

The following are the key gaps that have emerged around existing advisor platforms across various stages of the advisory process:

- **Prospecting and Relationship Management:** This is the most important stage of the advisory process which includes tracking all contact interactions with clients and prospects, including meetings, conversation notes, action items and correspondence. The two most important tools used at this stage by financial advisors are Contact Management and the Lead Generation / Management System. These are either separate or with limited integration, leading to many co-ordination challenges and redundancies in present day advisor platforms.

Figure 2: Gaps and Challenges around Existing Advisor Platform Across the Advisory Value Chain



Source: Capgemini Analysis, 2010

“Wealth managers are looking to deliver exceptional client service with an overall advisor platform strategy”

- **Investment Planning:** Financial planning tools are typically applications silos with no automated link to either illustration tools or existing account information. Regulatory compliance activities like Know Your Customer (KYC) and Anti-Money Laundering (AML) are often not integrated with the advisor platform. Existing platforms also lack scenario analysis tools / risk management engines which are a must-have today.
- **Client On-Boarding:** Advisors usually have to manually key in information for all existing client and third party accounts, resulting in financial plan output being generated from different tools / systems which are disjointed with an inconsistent look and feel.
- **Servicing and Monitoring:** Generally a firm has multiple account opening interfaces with product specific account opening procedures, forms, disclosures, and eligibility criteria. This results in client information being rewritten multiple times with client specific data to be manually consolidated from different systems. There is no automated or efficient process for comparing the clients' financial status with the plan. Also, the re-balancing of portfolio requires entering multiple transactions into various systems / tools which is very time consuming and highly inefficient.
- **Client Reporting and Alerts:** Clients receive multiple statements instead of a single, consolidated, and comprehensive statement with limited options for reporting across accounts (e.g. asset allocation across all accounts). Client reports are inconsistent firm-wide with a different look and feel. Alert mechanisms and early warning systems are inefficient which poses a challenge in early the identification / resolution of issues.

A review of the gaps reveals that most of these are due to the non integration of client data from different sources combined with the inability of different tools to work together in unison.

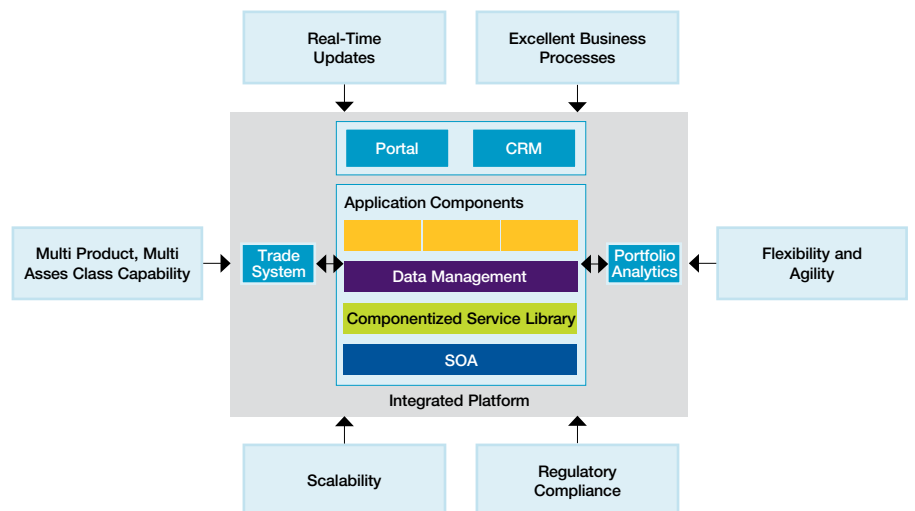
To overcome the current gaps and challenges firms are building a holistic strategy around their advisor platforms and other CRM tools to improve advisor productivity levels. These firms are focusing on building an integrated advisor platform by reducing redundancies, developing a comprehensive reporting solution and incorporating effective risk management tools into their next generation platforms.

4 Next Generation Advisor Platforms

4.1. Key Functionalities of a Next Generation Advisor Platform

There are six critical functionalities that should be considered by wealth management firms for building a new advisor platform (see Figure 3).

Figure 3: Key Functionalities of a Next Generation Advisor Platform



Source: Capgemini Analysis, 2010

- **Real-Time Updates** ensures the making of informed decisions both by advisors and clients. They help in portfolio adjustments with real-time data feeds.
- **Streamlined Business Processes** help advisors / firms operate efficiently to keep the costs low, and provide better transparency and a seamless client experience.
- **Multi-Product, Multi-Asset Class Capability** is critical for processing various classes of investments across client segments.
- **Flexible and Agile Platforms** allow firms / advisors to add business services as required. Technology components can also be upgraded with improved functionality more easily with a Services Oriented Architecture (SOA).
- **Compliance and Risk Management** for the wealth management firm and the client to meet regulatory requirements and manage credit, market, and operational exposures to events that can negatively impact portfolios and profitability.
- **Scalability** to support increases in levels of business volume into other market segments and geographies without a corresponding increase in the firm's cost base.

4.2. Key Components and Advantages of a Next Generation Advisor Platform

The next generation platform aims to provide easier, faster and centralized access to all relevant tools and information. Next generation platforms support the advisory process through strong integrated workflows and leading edge applications. Key components of the new platform across the advisory value chain are as follows:

- **Prospecting & Relationship Management:** Integrated a lead and contact management system to allow efficient prospecting / relationship management.
 - Efficient alert mechanism for advisors to track leads
 - Access to all historic and current client data which helps in better understanding client needs / goals
 - Reports on advisor productivity with up-to-date analysis of leads and their usage
 - Supports client segmentation and customer analytics to identify opportunities
- **Investment Planning:** The financial planning system is centralized and comprehensive with records for all client information.
 - Enables a complete view of client history, financial goals, and assets
 - Comprehensive risk management / scenario analysis tool which runs various scenarios for exhaustive client risk assessment
 - KYC tool is integrated to capture all relevant client data for compliance purposes
 - Compliance checks are initiated even before a financial plan is prepared
 - Alerts / triggers based on life and liquidity events of clients
- **Client On-Boarding:** Unified account opening tool which selects and pre-fills the existing client information (information entered in one tool reflects across tools / systems). Financial planning and portfolio management tools are integrated together.
 - Provides streamlined account opening and paperless processing
 - Facilitates step-wise approach to financial planning, automatically pre-populating the planning tool with data that exists in the client profile database
 - Financial planning output is directed into the portfolio management tools
- **Servicing & Monitoring:**
 - A holistic 360° view of the client's financial assets
 - Helps in integrating a team-based service delivery model along with the traditional relationship based advisory
 - Alerts and notifications that provide real-time messages driven by deviation from desired returns
 - Customized views of client holdings, account information, service requests, and financial analytics
 - Automated routine financial monitoring per defined benchmarks
- **Centralized Client Reporting & Alert Interface:** The new platforms will be able to generate a wide range of custom reports without the advisor having to go to different applications (from the simple account balance / net worth to a complicated attribution analysis).
 - Consolidated reports with data across all accounts and group of accounts (total assets with the firm, total equity holdings across all accounts)
 - Reports with a consistent and professional look and feel
 - Alert / Early warning system to proactively identify and address issues

The key to a good advisor workstation is the integration of data and a well orchestrated set of technology components. In addition to providing new and advanced features, the new platform should have a well-defined information architecture which promotes a greater adoption and usage.

4.3. Upgrading the Existing Advisor Platform

The increased automation of low value advisory tasks can lead to higher efficiency, lower costs, and more time spent by advisors on client facing activities. Wealth management firms will have to adopt a planned approach for upgrading their financial advisor platforms. The firms will have to lay down a roadmap determined by a combination of factors that include business goals, drivers, existing technology ecosystem, and IT budgets.

There are three different approaches that wealth management firms globally are taking while upgrading their advisor platforms:

- **Buy:** Firms are replacing their old home-grown / legacy platforms with new state-of-the-art, off-the-shelf financial advisor platforms / solutions which provides end-to-end front-office functionality.
- **Build:** Firms are integrating their existing front-office and other third party applications / tools to build an integrated full-service advisor platform.
- **Customize:** Firms are customizing off-the-shelf platforms that they have bought to better integrate with their existing tools and applications.

Each approach has its own strengths and weaknesses. Due to the pre-fabricated nature and limited customization possibilities, complete advisor platforms are typically optimized for a certain industry sector (e.g. brokerage firms) and client segment (e.g. mass affluent), and they might not be an ideal solution for all the firms.

Following the financial crisis, wealth management firms have to re-evaluate their approach and business priorities around investing to upgrade their existing advisor platforms.

For most firms this will mean:

- **People** capabilities will need to be developed by training financial advisors for identifying potential cross-selling opportunities, improve productivity levels / performance, and to have a better overall client experience by leveraging the new platform.
- **Processes** will have to be adapted to back up the necessary changes resulting from the platform upgrade.
- **Operations and Technology** will similarly need to adapt to front-office changes due to integration of various tools and applications or implementation of a new advisor platform.

The key will be to take a holistic approach to managing these moving parts.

5 Capgemini Value Proposition

Capgemini offers accelerated, end-to-end solutions to help firms define and implement their advisor platform strategy. Capgemini can help firms with an advisor platform assessment, reconfiguration, and implementation, to empower advisors to understand their client needs and grow their practice.

Capgemini uses its proprietary wealth management benchmarks and experience to provide tailored transformation initiatives across advisor platform strategy:

Capgemini Differentiators

- In depth knowledge of advisor processes, priorities, leading practices and trends
- Competitive benchmark of advisor productivity drivers for over 30 wealth management firms globally
- Vendor assessment and best of breed knowledge of wealth management platforms
- Client reporting requirements baseline

- **Wealth Advisor Platform Assessment:** Capgemini helps clients understand the competitive positioning of their advisor platform and provides inputs into functionality prioritization to maximize business impact.
- **Advisor Platform Implementation:** Capgemini assists wealth management firms to accelerate the build, implementation and adoption of their next generation tools and processes.
- **Advisor Platform Data Assessment and Integration Roadmap:** Capgemini assists financial services firms in determination of their data maturity relative to its peers and identification of steps that need to be taken to achieve the optimal maturity level.
- **Advisor Platform Module Assessment and Optimization:** Capgemini benchmarks a client's existing capabilities in a specific area and aligns potential third party applications to the strategy and industry leading practices.
- **Client Reporting Assessment:** Capgemini helps clients gain understanding of the current competitive landscape with respect to the reporting practices and best go-forward strategy by creating a roadmap for implementation.

About the Authors

Ashish Kanchan

Lead Consultant, Strategic Analysis Group
Global Financial Services Market Intelligence
Capgemini

Ashish has over nine years of experience in the Banking and Capital Markets industry with expertise in private banking, wealth management, and asset management.

Nikhil Shinde

Lead Consultant, Capital Markets Practice
Global Financial Services
Capgemini

Nikhil has over 12 years of experience in the Banking and Capital Markets industry with expertise in Asset Management, Wealth management, Custody, Clearing and Settlement.



About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies.

Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™.

The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients.

Present in 40 countries, Capgemini reported 2010 global revenues of EUR 8.7 billion and employs around 110,000 people worldwide.

Capgemini's Global Financial Services Business Unit brings deep industry experience, innovative service offerings and next generation global delivery to serve the financial services industry.

With a network of 17,000 professionals serving over 900 clients worldwide, Capgemini collaborates with leading banks, insurers and capital market companies to deliver business and IT solutions and thought leadership which create tangible value.

For more information please visit www.capgemini.com/financialservices

For more information about Capgemini's Financial Advisor Automation and Platforms services please e-mail us at wealth@capgemini.com

Visit www.capgemini.com/wealth to find out more about our Wealth Management services