



RBC Wealth Management

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SCALABILITY KEY TO HITTING GROWTH TARGETS AND IMPROVING CLIENT RELATIONSHIPS FINDS WORLD WEALTH REPORT 2012

Modernization of business models is needed for more flexibility and to meet growth targets

Toronto, Paris, - June 19, 2012 – Wealth management firms that integrate and leverage scalability¹ in their existing business models will be best equipped to deal with the new industry landscape, according to the 16th annual World Wealth Report, an inaugural collaboration between Capgemini and RBC Wealth Management. With many wealth management firms seeing their costs rising faster than revenue growth in recent years, the ability to re-think business models will be essential to realizing profitable assets under management (AUM) growth while improving client-advisor relationships, the report finds.

“While costs are one consideration driving the need for scalability, wealth management firms are also faced with a new industry landscape which includes factors such as rising competition,

¹ Scalability refers to new revenue growth in markets or products without adding incremental resources and costs while avoiding service degradation during expansion.

heightened market volatility and changing client needs and expectations. Given the confluence of these factors, many wealth management firms are at the stage of re-evaluating and re-assessing their business models to effectively manage AUM revenue growth without adding incremental resources, costs or incurring service degradation,” said George Lewis, Group Head, RBC Wealth Management. *“Now is the time for firms to demonstrate that they understand clients’ needs and create value by scaling their businesses this way.”*

Firms need to address cost and revenue challenges

Industry estimates suggest that while total AUM has grown since 2008, the costs associated with managing those assets have risen faster than income growth. The World Wealth Report 2012 highlights how firms are facing challenges of rising client demands and advisor remunerations, compliance costs and a lack of operational scalability which increases expansion-related expenses. They are also facing pressure from an inability to generate significant fees in the current low interest rate environment as well as increased client demand for low-risk capital-preservation products.

“To meet the needs of current and future HNW clients, firms will need to re-focus on core competencies and incorporate ways to embed scalability in their business models while also ensuring high client trust,” said Jean Lassignardie, Corporate Vice President, Capgemini Global Financial Services.

Technology can help enable selective scalability in wealth management business models

The World Wealth Report 2012 highlights that the hurdles to scalability are lower and deliver the most value in providing ‘advisory and wealth management services’ as opposed to ‘client acquisition’ and ‘profiling services.’² Firms that leverage technology for these services can save

² Client profiling refers to client requirements being analyzed and segmented according to their backgrounds and future aspirations.

high-value advisor time for more critical client facing activities the report finds. For example, technology like straight-through processing systems can provide prompt notification to clients on trades, positions, and portfolio updates, thus preserving advisor time for high-value strategic conversations. Other scalability levers such as optimizing processes by automating back-end operation and implementing an enterprise-wide customer relationship management (CRM) system can ease the flow of information among stakeholders, facilitate more efficient decision-making and improve service at the distribution level.

“Whatever the starting point, the path to next-generation business models essentially begins with identifying the effects of legacy business models and re-focusing on core competencies to expand the business. But the end-game -- achieving a robust scalable business model that also reinforces client-advisor relationships — will involve systematic decisions and precise execution,” added Lassignardie. *“Some leading firms are already establishing robust client-advisor relationships using selective growth strategies, implementing advanced client-segmentation techniques and devising a sound recruitment strategy that promotes more advisor freedom with centralized, back-office support.”*

About the World Wealth Report

The annual World Wealth Report is the global benchmark for tracking HNWIs and covers HNWI market sizing with a review of global economic drivers, HNWI investing behaviors and asset performance trends. The World Wealth Report 2012, the 16th annual edition, is an inaugural collaboration between Capgemini and RBC Wealth Management.

For more information or to download the World Wealth Report 2012, please visit www.capgemini.com/worldwealthreport

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