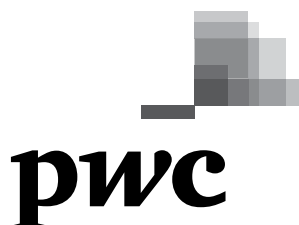


strategy&



Sink or swim

**Why wealth management
can't afford to miss the
digital wave
(Asia Pacific highlights)**





Introduction



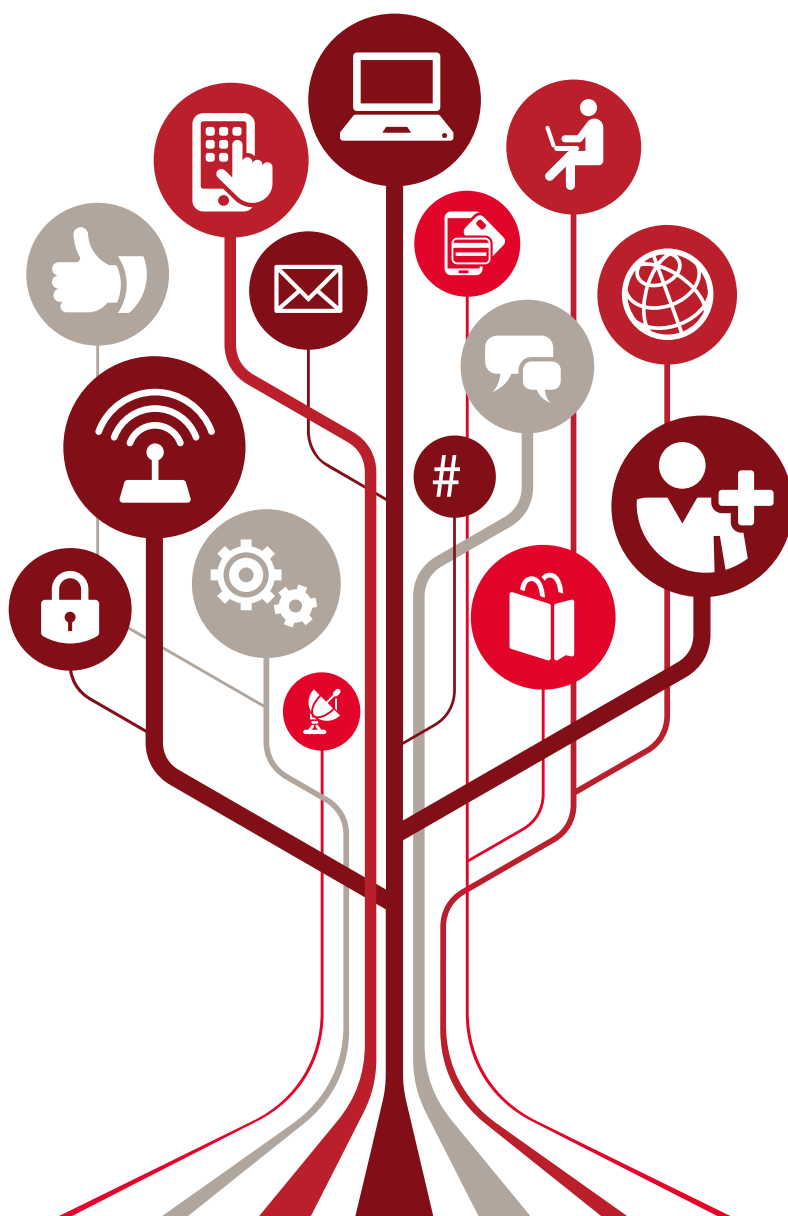
The findings of our *Sink or swim: Why wealth management can't afford to miss the digital wave* report are based on research conducted in late 2015 and early 2016 for PwC Strategy& by Wealth-X, global specialists in wealth intelligence. Quantitative research was conducted with 1,010 high net worth individuals (HNWIs) with US\$1 million+ in investable assets in Europe, North America and Asia Pacific, to assess their attitudes to their wealth, usage of technology and the role of professional wealth management in their lives. This was supported with qualitative interviews with 100 client-facing relationship managers who work in wealth management firms, and a selection of senior executives of established wealth management firms as well as CEOs of Fintech wealth management companies.

This Asia Pacific highlights looks at the survey responses from more than 300 HNWIs in the region. This data has been overlaid with insight from PwC's financial services, digital and wealth management specialists. We would like to thank all contributors for their insights and involvement in the development of this report.

Higher digital uptake among Asia Pacific's high net worth individuals

High net worth individuals in Asia Pacific are already adopting technology in aspects of financial management

Our survey results reveal that high net worth individuals (HNWIs) worldwide have integrated digital technology into their daily lives. HNWIs in Asia Pacific are marginally ahead of their global counterparts in employing digital technology for their financial management needs. 77% of Asia Pacific's HNWIs are already using online/mobile banking – compared to the global result of 69%. Furthermore, almost half of them are already using online means to manage and review portfolios (Figure 1).



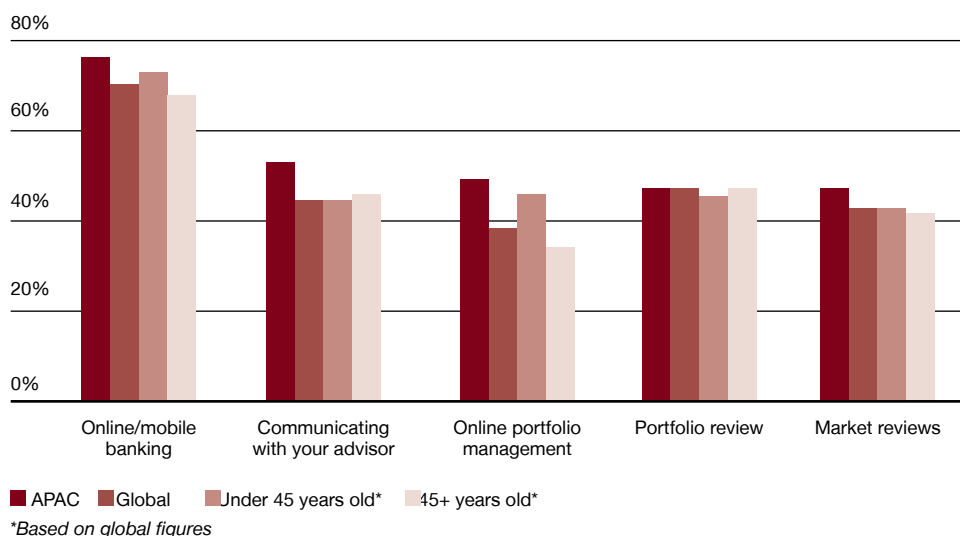
Asia Pacific's wealthy are integrating digital technology into their daily lives

89%
use 3+ digital devices

99%
access internet/apps daily

91%
accesses internet/apps daily using mobile/smart phones

Figure 1:
HNWIs using digital for financial management – top 5 areas in Asia Pacific

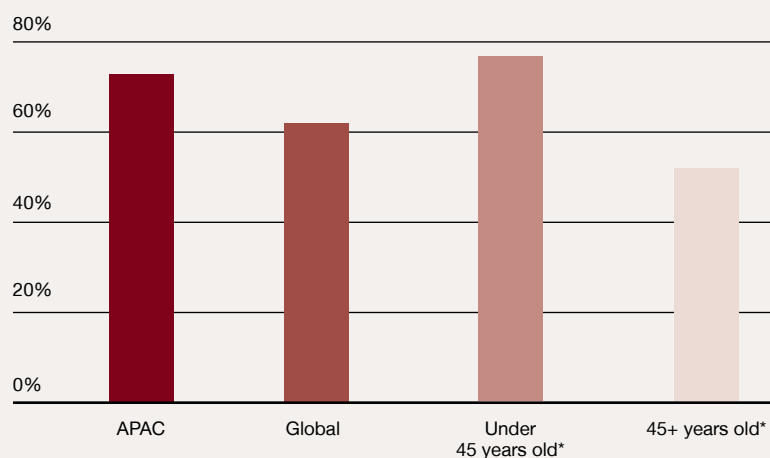


Data privacy: A fair trade off for convenience

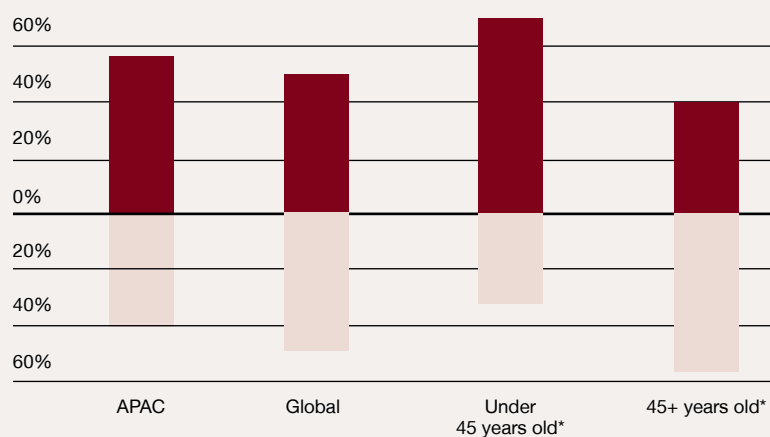
While data security and privacy is the top of mind issue across all industries, many HNWIs, particularly those in Asia Pacific and those who are 45 years old and younger, are willing to trade off their personal data to get the solutions they want, and/or enjoy better convenience as well as tailored experience.

Figure 2:
HNWIs and data privacy

Use apps or websites that require personal data



Sentiments towards app/websites that require personal data



*Based on global figures



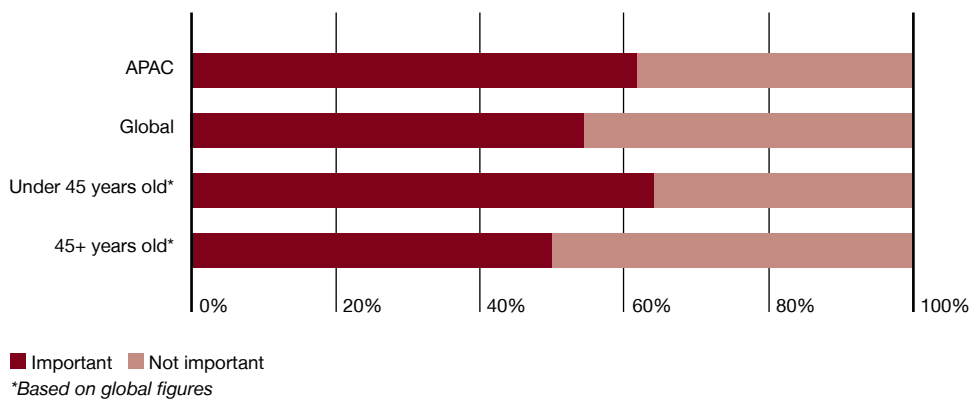
Are wealth managers measuring up?

Digital complacency is not an option

The wealth management industry remains focused on a conventional way of servicing clients – this may come from the strong tradition of wealth management primarily being a person-to-person business – and a widely held belief that clients are resistant to any form of digital audit trail.

Our survey results tell us otherwise. Over half of HNWIs in Asia Pacific and worldwide believe it is important for their financial advisors or wealth managers to have a strong digital offering (Figure 3).

Figure 3:
How important is it that your wealth manager has a strong digital offering?



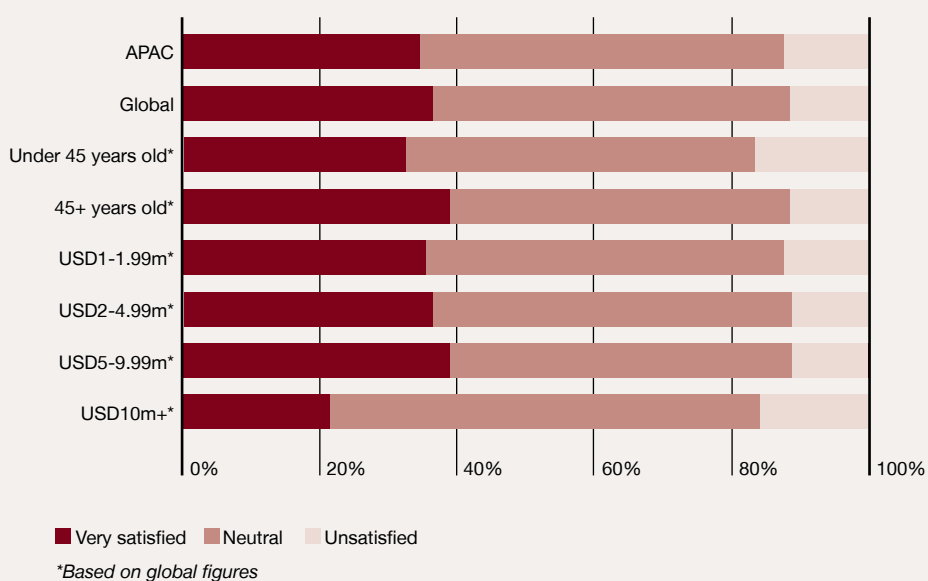
Modest level of client satisfaction and advocacy

When asked about how satisfied HNWI's are with their wealth managers, only a third in Asia Pacific say they are very satisfied (Figure 4). This level of satisfaction dropped further to 22% among clients with assets of more than US\$10 million at a global level.

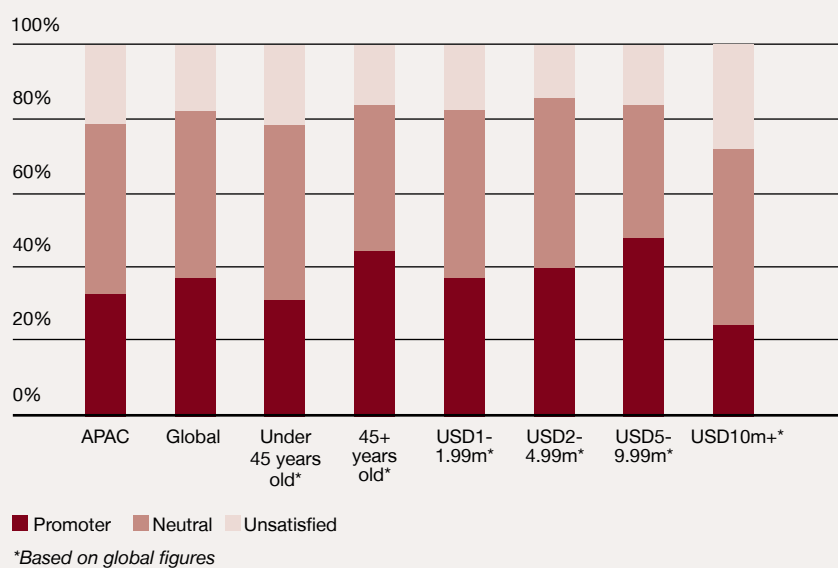
Of another serious concern, just 34% of HNWI's in the region are likely to recommend their wealth managers to others, this number falls to 23% among US\$10 million+ clients worldwide.

Figure 4:
How HNWI's feel about their wealth managers

Satisfaction



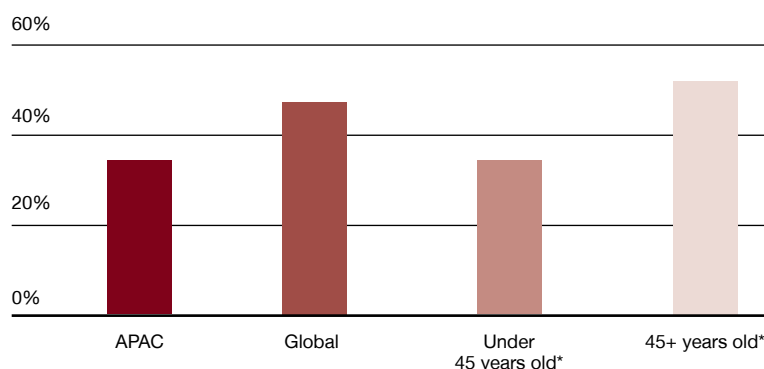
Likelihood of referral



Lower confidence in wealth managers to keep data safe

While our survey results reveal that HNWI's in Asia Pacific are more comfortable than their global counterparts in giving their personal data for apps/websites (highlighted earlier in Figure 2), only 36% are highly confident in their wealth managers when it comes to keeping their personal data safe, which is lower than the global result of 47% (Figure 5).

Figure 5:
Confidence in wealth managers on data security



*Based on global figures

'Investment performance' and 'range of products & services' are the most valued aspects of wealth managers


'Investment performance' tops the chart as the most valued aspect of wealth managers as seen by more than 60% of HNWI's globally and across all age groups. Unlike their global counterparts who have 'rapport with advisor' second on their list (valued by 50% of HNWI's worldwide), clients in Asia Pacific place more value in the 'range of products & services' offered by their wealth managers at 61% (Figure 6).

Figure 6:
What aspects of your financial advisor/wealth manager do you particularly value? – Top 5 results

	APAC	Global	Under 45*	45+ *
1st	Investment performance	Investment performance	Investment performance	Investment performance
2nd	Range of products and services	Rapport with advisor	Range of products and services	Rapport with advisor
3rd	Reasonable fees/charges	Range of products and services	Reasonable fees/charges	Range of products and services
4th	Advisor reputation	Reasonable fees/charges	Rapport with advisor	Reasonable fees/charges
5th	Rapport with advisor	Advisor reputation	Brand reputation	Advisor reputation

*Based on global figures

Our survey results are indicative of a customer segment that has particularly high expectations and can be challenging to please. Wealth managers are in a time when clients themselves are starting to place greater value on a strong technology proposition. In addition, the modest level of client satisfaction and advocacy, coupled with higher emphasis on investment performance and the range of products and services offered, suggest that firms cannot rely on traditional strengths, such as the quality of their human relationships or brand, to compensate for shortfalls in their technological offering.



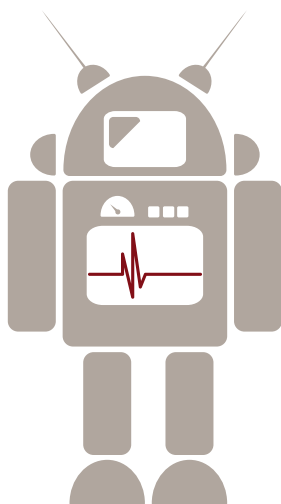
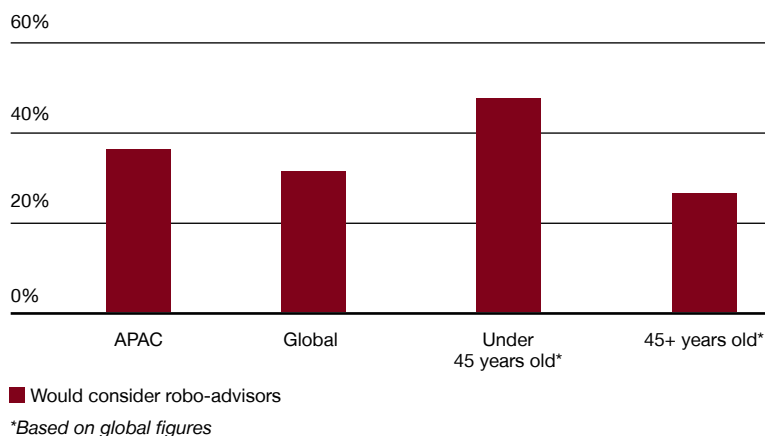
Currently, wealth management in Asia appears to have a stronger transactional focus rather than relationships-based on trust and advice. This is both an opportunity and a threat to Asian wealth managers; the survey results suggest that clients value pricing and products more than having a relationship with their wealth manager. This means that the "stickiness" is not there. It is incumbent on wealth managers to drive change in behaviours of clients and relationship managers for the future.

Emerging digital opportunity for wealth management

Opportunity 1: Humans versus robots

HNWIs are growing increasingly aware of what automated technology can do in the investment advisory space. Despite mixed opinions from current users of robo-advisors – automated investment advice platforms that provide algorithm-based portfolio management advice without the use of financial planners – more than a third of HNWIs in Asia Pacific would consider using them in the future (figure 7).

Figure 7:
More HNWIs in Asia Pacific would consider robo-advisors



Areas in which robo-advice could specifically support wealth managers

- Help deliver a low-to-high-touch toolkit that will free up relationship/portfolio managers to spend more time on the nuanced, human-driven judgement and activities their clients value
- Capture more of the share of investable assets that a client may choose to allocate across different wealth solutions
- Enable firms to begin their client prospecting journey lower down the wealth ladder within the mass-affluent space

Opportunity 2: Leverage data for more customised solutions

The real-time sharing of personal data to deliver highly customised responses has become fundamental to many consumer services (eg. taxi service – Uber, and the fitness app – Fitbit).

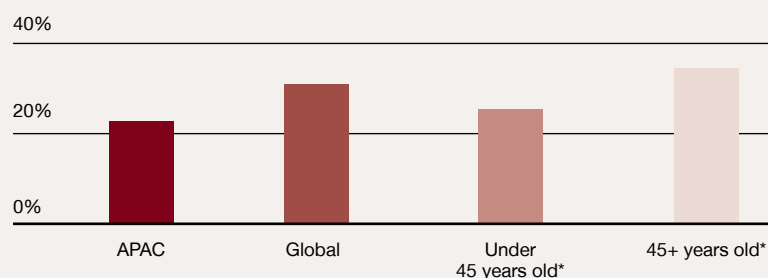
For many, sharing this kind of consumer information now feels commonplace. But exchanging information about financial activities as freely as data about fitness or travel preferences demands a far greater level of data security – something that highly regulated wealth management firms are well positioned to provide.

Appetite among wealth management clients for this kind of data-driven service is already evident but isn't necessarily being met by current wealth management propositions. Less than a quarter of HNWIs in Asia Pacific confidently feel that their wealth managers use their data to provide tailored advice (Figure 8). At the same time, only 33% are confident in their wealth manager's ability to take account of their wider life goals.

Figure 8:

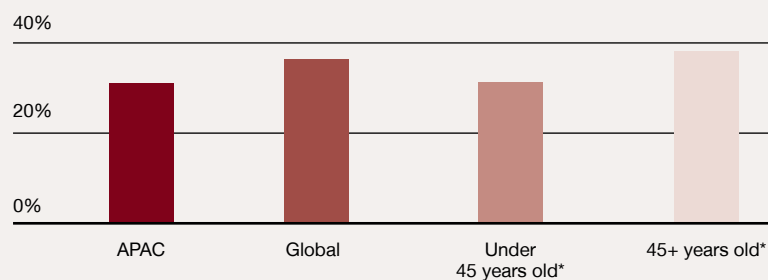
Room to leverage data for more customised services and responses

Confidence in wealth managers using personal information/data to provide tailored advice



*Based on global figures

Confidence in wealth managers to take into consideration wider life goals in providing advice



*Based on global figures

Wealth managers are already recipients of an enviable level of insight about Asia Pacific's and the world's wealth – the challenge now is how to capitalise on that to consolidate their position as trust advisors and deliver more relevant solutions to clients.



Conclusion

Globally technology is a real disrupter with the survey results reporting that high net worth individuals are employing digital technology for their financial management needs.

In APAC, emphasis on technology is more apparent than the global average. However, it remains to be seen whether the traditional differentiation in the form of strong human relationships between wealth managers and customers will continue to be a factor in the foreseeable future.

It's also important to acknowledge that HNWI's in Asia Pacific, and increasingly around the world, are savvy consumers of personalised services and advice. Furthermore, wealth management firms need to be aware of their vulnerability to FinTech innovators who can present the world's wealthy with slick and highly personalised ways to manage their assets, and leverage their real-time personal data continuously to make better financial decisions.

As a younger cohort of HNWI's is emerging and growing in economic power, firms will soon be courting a tech-immersed generation that has grown up in a world of economic instability and who are, as a result, highly adaptable, restless and fickle in their choices of brands and service providers. The wealth management industry now needs to provide both its current and future clients with a substantially evolved service model or risk losing market share.

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