Trends in wealth management

Peter Hall speaks to Inflexion about retaining a personal touch as wealth managers adopt technology.

Market consolidation is often not paying enough attention to culture and will in many cases fall flat on its face.

I am seeing consolidation creating loose collections of advisory businesses with insufficient focus on achieving consistent and better offerings for clients, and also without thinking enough about whether the larger firm will be a good home for the advisers over the long-term. People are often focused on the easy bit – achieving the shareholder value through putting businesses together and driving out cost synergies. But they're not thinking about the cultural fit, and this is absolutely critical in a people business. Usually deals see an upfront payment and then an earn-out down the line. If people don't feel the larger business is a good long-term home for them, the advisers won't want to stay and will bail-out when the second dollop of cash arrives. I can see this happening at a number of firms. Some may even set up again on their own – having been part of smaller, entrepreneurial businesses, they don't like the experience of a large firm so they make some money selling their business and then look to do it again.

Of course there are exceptions. The Schroders, Cazenove, Hoare merger really started from a shared culture and we paid a lot of attention to that at Tilney.

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Peter has held a number of leadership roles in wealth management. He is due to start as Global Head of Wealth Management at Schroders in January 2019. Previously he was Chief Executive of Tilney, a leading UK wealth management firm with £24bn of client assets. He has also been Chief Executive of Bestinvest, Managing Director of UBS Wealth Management UK and Chief Executive of Barclays Stockbrokers, Investment Management and Trust Company.

B2C fintech in wealth management will struggle to make an impact without distribution alliances because of the high cost of client acquisition. But even then, it's unlikely to succeed.

Money is often spent on traditional advertising, for example on the underground, but it doesn't generate an attractive return on marketing spend for most. And I haven't seen any fintech firms generate strong returns through social media advertising – despite all the talk about LinkedIn and Sky. So the natural thing for fintech to try and do is to form an alliance with someone that does have that customer base so they can offer their service to those clients.

I think this strategy is often flawed, because it assumes the customers of the distribution network will be happy to be cross-sold to. The reality is this doesn't tend to be the case in wealth management, because the industry is about trust and very personal service, so these clients in fact will not be happy to be cross-sold into from another service.

The constraints of GDPR will also make it difficult, because permission to cross-market to those clients is heavily constrained. I am yet to see a single example of this working within wealth management.

In the B2B fintech space, customer management systems are key.

This software is used all day everyday by advisers to look after their clients and is really important to them. So while advisers are happy to switch platforms, they tend to be loyal to their customer management software provider, meaning these software providers seem to hold the key to distribution to IFAs, much more so than the platforms. It applies to distribution not only of asset management but also of a range of systems applications via an 'app store' hosted by a customer management firm like Intelliflo. The recent acquisition of Intelliflo by Invesco had that motivation behind it – distributing asset management to IFAs through the software firm.

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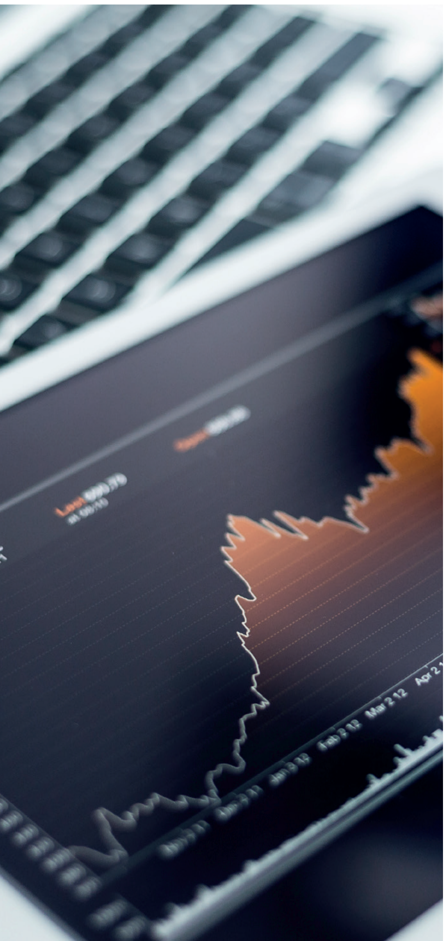

B2B fintech will also be key in transforming client service and the productivity of wealth businesses.

Wealth management businesses are still, compared to other industries, backward in their use of digital to make the client experience seamless across channels – and very clunky in their continued use of forms and paperwork with lots of re-entering of data. People talk a lot about millennials wanting robo-advice. For me, the bigger issue is offering all clients the ability to deal with a firm however they want – and using technology to free up advisers to spend more time with their clients.

The self-directed platforms have a big opportunity to 'upsell' to advice.

People often assume that someone is either self-directed/wanting to make their own investment decisions, or wants advice. But I don't think it's as simple as that. I think people will want to make their own decisions on certain affairs, but will seek advice in others. For example pensions – such a complex area with so much at stake that most people do want some advice in this area. Attitudes can also change during a lifetime. One can accumulate a few investments and buy a few ISAs, but then reach a point in your life where you no longer have the time or inclination to manage this actively. The big self-directed players, Hargreaves Lansdowne and Interactive Investor, have huge customer bases and they can carry on providing the same service for people who want to do it themselves. But they have a wider opportunity to offer advice through a new 'hybrid' direct channel approach to their customers who are more comfortable than most people with direct channels.

The market is evolving and to succeed, wealth managers will need to remain true people businesses with a strong culture of excellent personal service. The human interaction to build trust and empathy will remain key in achieving peace of mind for clients. But the winners will need to combine it with leading technology to offer a multi-channel service and improve productivity. It's using tech to support, not replace, a people business.