



TEMENOS
THE BANKING SOFTWARE COMPANY

The Next-Generation Wealth Manager

European Edition

Report – Forbes Insights & Temenos: 'The Next-Generation Wealth Manager' – Europe

Technology-driven change has been a fact of life for wealth managers since the arrival of digital platforms, applications and robo-advisors. Now the industry is implementing artificial intelligence (AI) and sophisticated analytics. Adoption of these newer technologies alone won't be enough to guarantee success.

Successful wealth managers will distinguish themselves in how they use advanced technology. This will be important as long as they can leverage it to provide more nuanced and personalized services. These have become the very essence of the industry's competitive advantage and its proven value to high-net-worth individuals (HNWIs).

Forbes Insights and Temenos began to chronicle the digitization of wealth management in 2016 with a global report that captured the arrival of robo-advisors. In 2018, we delved into the role of AI. With our recent global report, 'The Next-Generation Wealth Manager', we look specifically at the value of technology from the perspectives of both the wealth manager and the client.

The global survey canvassed 305 high-level executives: over 40% were in the C-suite; a fifth were heads of asset management; and 14% and 9% were managing directors and heads of business, respectively. Most of the executives (66%) worked at investment banks, and about a third (31%) were at private banks. The survey also captured the viewpoints of 105 HNWIs, 70% of whom had a net worth of £1 million or more.

Of the total number of respondents, 26% came from Europe.

To further support our findings, we spoke with leaders at investment and private banks about the changes and gathered additional insight from prominent futurist Gerd Leonhard and academia expert James Sefton, Professor of Economics at Imperial College London.



Three pathways to success will define the next-generation wealth manager:

1 CUSTOMER EXPERIENCE ENHANCED BY DIGITAL CLIENT SERVICES AND PERSONALIZATION

2 INSIGHT GAINED THROUGH AI AND ANALYTICS

3 NEW MARKETS DEFINED BY THE MASS AFFLUENT AND ALTERNATIVE INVESTMENTS

In Europe, a new generation of investors who have been dubbed 'The Re-wired Investors' is emerging; investors who are fully digital and expect a comprehensive digital experience from their banks. According to the global Temenos/Forbes Insights report, almost half of wealth managers feel challenged in matching the speed with which mass affluent investors demand service.

// In Europe, wealth managers are struggling to earn money today. That is why they have changed their attitude to wealth management and have been scaling towards the lower end of the range. Mass affluent investors, in the view of our report respondents, require the same level of service as a high-net-worth individual. Wealth managers are challenged because they know they need to address the mass affluent market but lack proper platforms. Their margins are being squeezed.

Steen Jensen,
Temenos Managing Director, Europe



What the Wealthy Want: Personalized Service Enhanced by Technology

The Forbes Insights survey shows that HNWI in Europe want technology to play a greater role in their advisor relationships, underscoring the imperative at investment and private banks to continue digital transformation. Ultimately, however, they are looking for experience, an understanding of their unique situation and goals, better results from more active portfolio management, and greater predictive analytics and forecasting (Figure 1).

“Wealthy individuals are willing to pay a steep premium for really smart and likable people, and they won’t walk away from that just because of technology,

says Gerd Leonhard, a futurist who advises wealth managers on their digital and service transformation.

But they will not be satisfied with an organization full of great people who are completely behind on everything else. They expect complete coverage of technology all the way to the cutting edge of things—applications and mobile, for example—and they value connectivity with people and relationships and opinions and wisdom.”

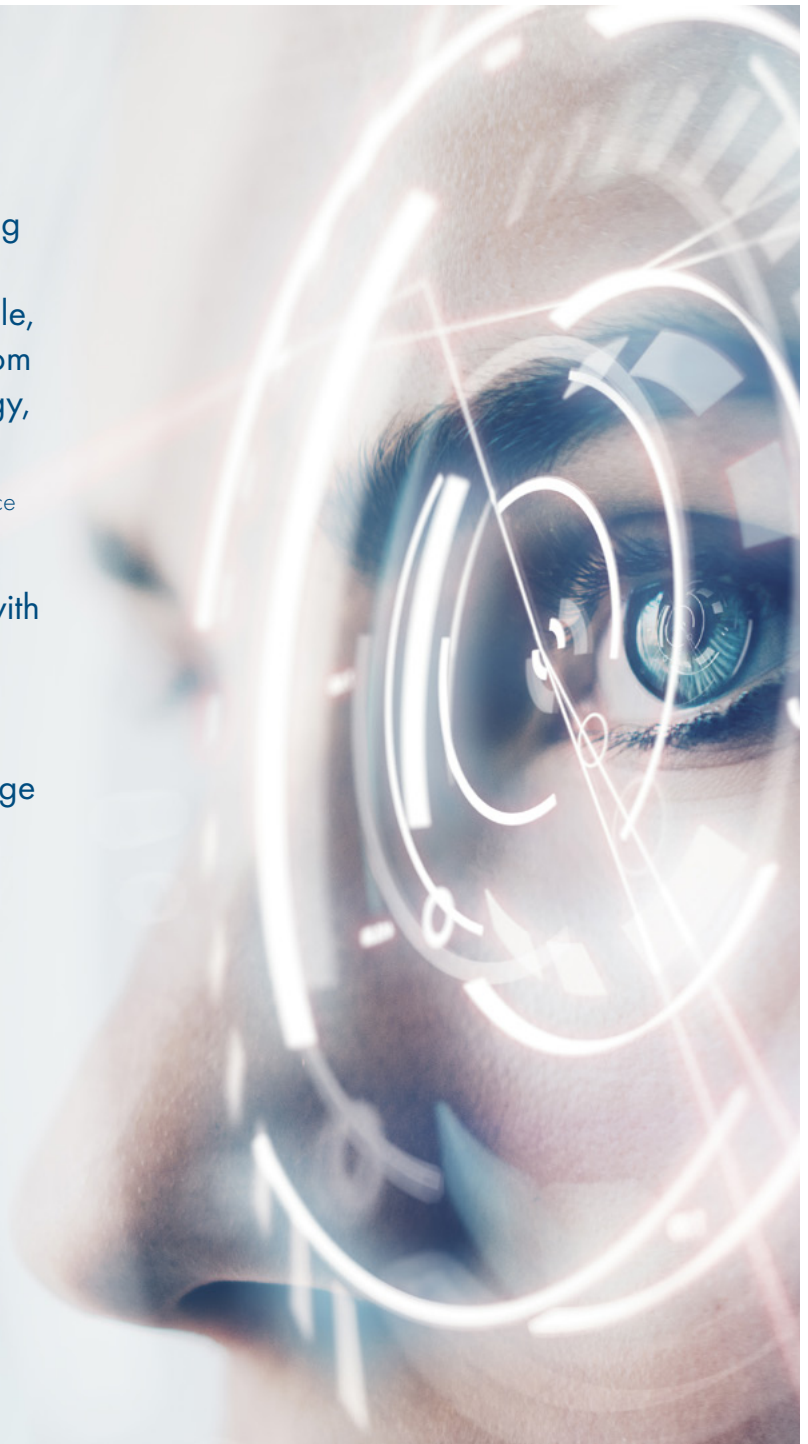
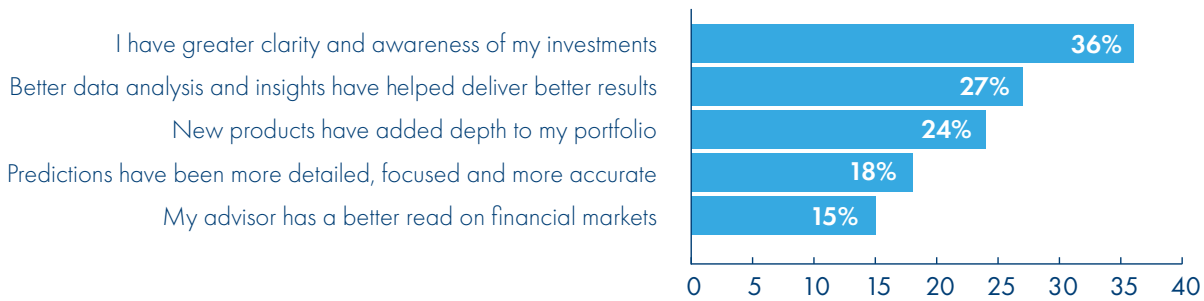


Figure 1: What the wealthy think: Forbes Insights asked HNWI about their customer experience

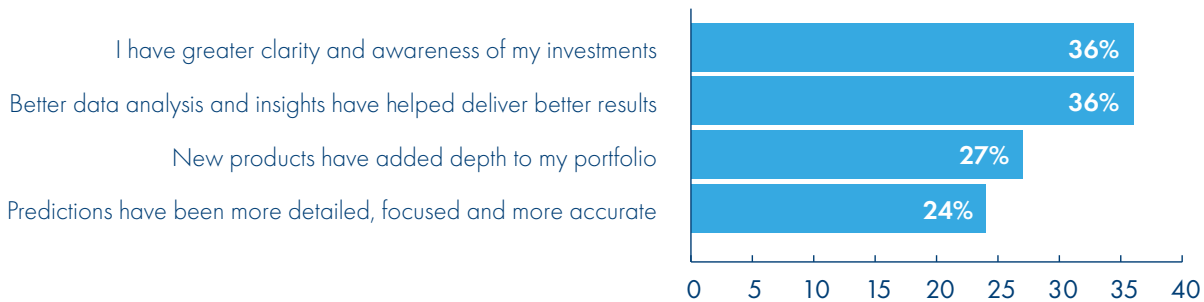
A: How much of your relationship with your wealth manager is technology-based?

| | 76% to 100% | 51% to 75% | 26% to 50% |
|------------------------|----------------|---------------|---------------|
| Relationship today | 21% | 33% | 24% |
| Preferred relationship | 18% | 42% | 18% |

B: How has your wealth management experience changed over the past three years?
(Select all that apply)



C: In what ways are your goals and investing needs changing?



It is clear that data analytics, being far more accessible nowadays, is key to obtain the personalized service that the wealthy are requesting and has been a clear game-changer in the last few years. Before, HNWI chose their companies based on the quality of service of the individual. Clients tended to stay with the same company – they would be loyal to wealth managers for several years. That has now been taken over by a more industrialized technology approach, which is more cost efficient, and provides a far more detailed level of information about the individual so that they can provide not just more information, but actionable personalized information often based on AI.

Steen Jensen,
Temenos Managing Director, Europe

Defining the Next-Generation Wealth Manager

Just three years ago, only 33% of wealth managers in Europe believed digitization was essential for them to do business. Now, more than half (52%) of European executives believe that digitization of wealth management services is essential.

Figure 2: Percentage of executives who view the role of technology as being “significant” or “highly significant” in pursuing the following objectives:



The Forbes Insights/Temenos survey focused on three pathways to success that will define modern wealth management –customer experiences enhanced by digitization, deeper insights gained through data analytics and new markets accessed by technology.

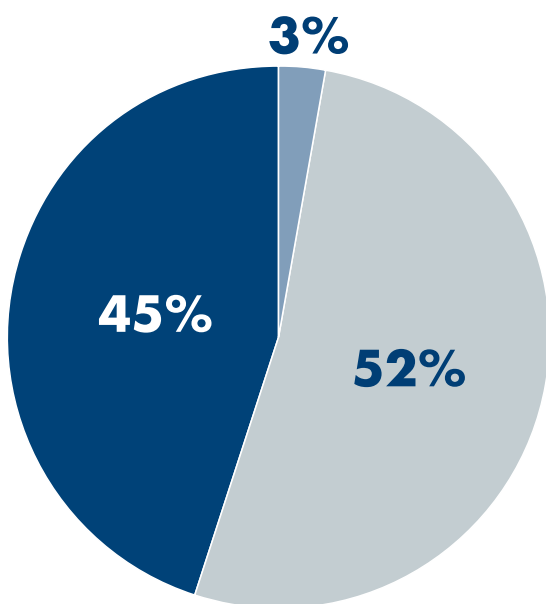
This is the new world of wealth management.




Customer experience enhanced by digital client services and personalization

// I still see wealth management as being a very personal relationship-type business. Services are going to change— and that’s where it becomes interesting: there are huge operational efficiency, cost and speed gains to be had in the process of onboarding new clients, doing the due diligence, or Know Your Customer (KYC), says James Sefton, a professor of finance at Imperial College London.

Figure 3: Personalization

Are you able to segment your clients to create detailed and distinct profiles that enable personalization?
(Select one)



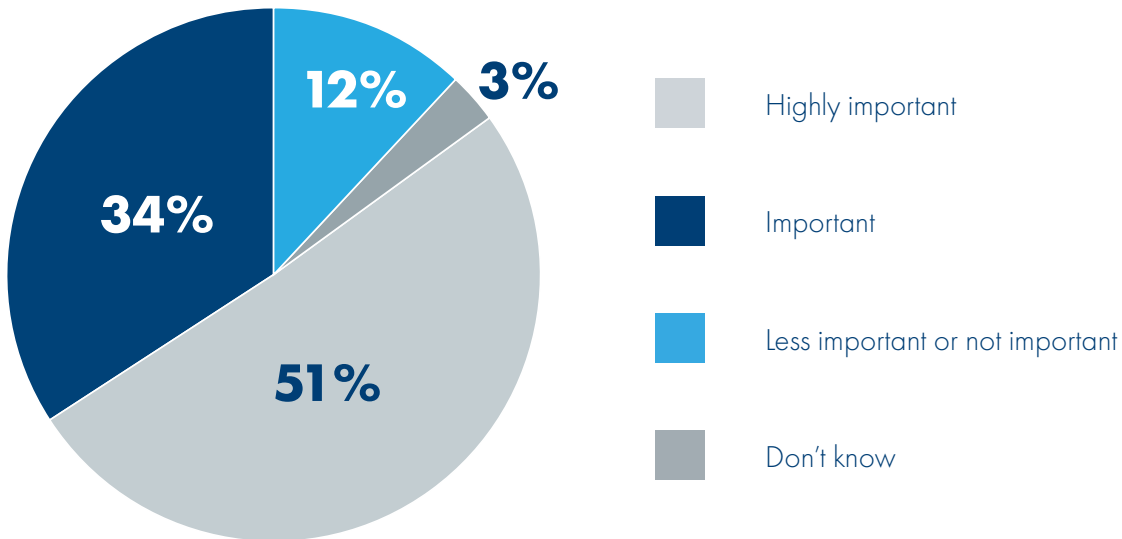
-  Yes, I'm able to create detailed profiles of my clients and produce highly personalized service
-  Yes, I'm able to differentiate my clients, but not to the degree of personalization I want
-  No



Insight Gained Through Artificial Intelligence And Analytics

High-quality analytics has been mentioned before in this report as key to helping the wealth managers support their clients with better insights into how their funds can grow. The chart below shows how wealth managers see the value of data analytics.

Figure 4: The importance of analytics



Advanced data analytics is not new to financial services, but cutting-edge deployments that enable deeper understanding of complex global markets and investments at a level beyond human capabilities have been largely confined to hedge funds and niche players. That is changing: over half of European executives see segmenting and personalizing service as highly important, a third sees it as important. Our findings say that 86% of wealth managers in Latin America believe analytics is highly important, versus 51% in Europe. The reason for this disparity, says Steen, is that the European market is a more mature one.

Figure 5: The importance of AI

Percentage of executives who say AI is 'important' or 'highly important' to the following:



In just one year, the value seen by wealth managers in AI technologies has increased. Less than seven in 10 wealth managers globally saw AI as important in data analysis and forecasting in 2018, but according to our 2019 research more than 80% see its importance in a range of areas, including risk management, operational efficiency and client experience. In Europe, client communication is seen as the most important area where AI can play a role.

Entering New Markets: Today's Mass Affluent Investors Represent Tomorrow's High-Net-Worth Individuals

As the bedrock of older HNWI's dissolves, wealth managers are looking for growth in the groundswell of mass affluent investors who stand to advance in their careers and inherit the assets of their elders, tipping them into wealth.

52%

of European wealth managers see the mass affluent segment as highly important to their practice while only 29% saw the segment as important 3 years ago. This is against 6 out of 10 wealth managers on a global level seeing mass affluent as highly important to their practice.

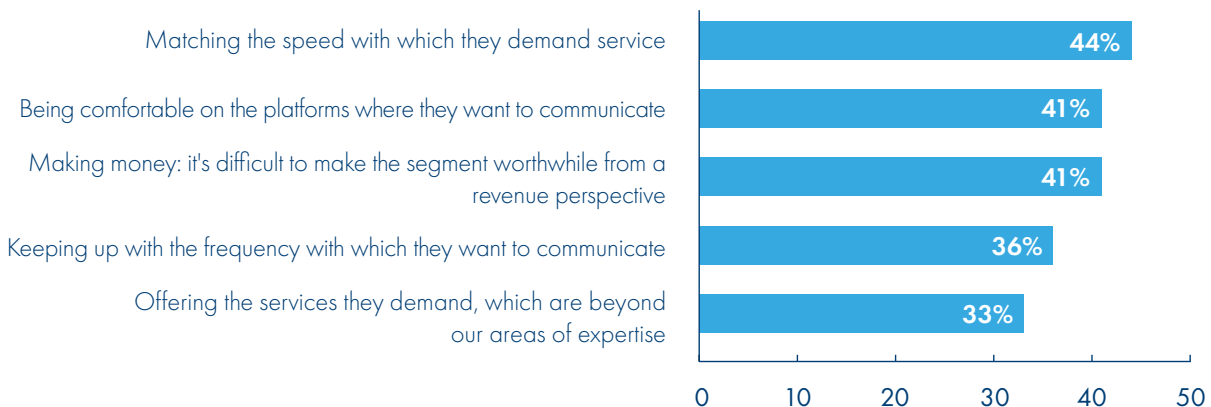
37%

of European wealth managers see specialized products and regular communication as the leading pathway to successfully acquiring their business. On a global level, wealth managers saw strong technology overall and AI as key steps into acquiring the segment.

Matching the speed with which mass affluent demand service European wealth managers see as the most important challenge reaching the mass affluent market



Figure 6: As a wealth manager attempting to reach mass affluent investors, which of the following client preferences pose a challenge? (select all that apply)



How Wealth Managers Around The World View Key Issues

The survey results show differing views about the use of digital platforms, data analytics, forecasting and the role of emotional intelligence (EQ) which is the ability to understand one's own and other's emotions and the talent to manage interpersonal relationships. In the context of wealth management, EQ is particularly important as technology becomes a bigger part of the client experience.

“The more technology we use and the more connected we become, the more human we need to be in response,”
says Leonhard.

DIGITAL COMMUNICATIONS PLATFORM

Seventy-eight percent of wealth managers in Latin America say it's essential to have a virtual platform to do their job and enhance the client experience, versus 64% overall and 52% in Europe.

ARTIFICIAL INTELLIGENCE

Over 50% of executives in the Middle East/Africa think that financial guidance might change as a result of AI, compared with 45% overall. Only 37% of European Managers agree.

ANALYTICS

Eighty-six percent of wealth managers in Latin America say analytics is highly important, versus 51% in Europe.

FORECASTING

Wealth managers in Asia-Pacific have higher expectations for AI's effect on forecasting: 47% of executives say they will be able to read markets better because of it, compared with 30% in Europe and 24% in Latin America.

MASS AFFLUENT

Only half of executives in Europe say that attracting mass affluent investors is important, compared with just over 60% overall and 74% in Latin America.

EMOTIONAL INTELLIGENCE

Most wealth managers in Latin America (68%) and nearly half in Europe (50%) and the United States (49%) believe that emotional intelligence will distinguish advisors, compared with just 30% in Asia-Pacific.

What Will Define the Wealth Management of the Future?

What will it take for the next-generation wealth manager to achieve success? It's a blend of qualities comprising technological proficiency and those that have always distinguished the business: exceptional client services and personalized attention with an investment edge provided by advisors using the most advanced tools of the trade.

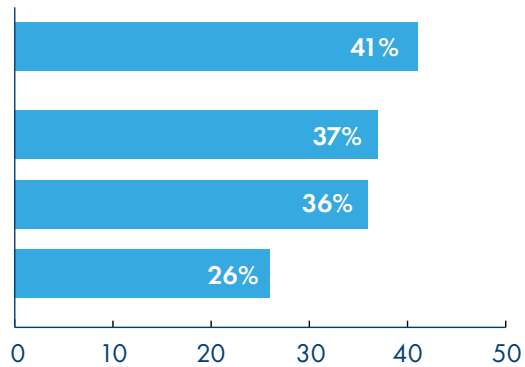
There is no doubt that AI and robo advisors have increasingly come to market over the last three years and the industry must continue with that roll out.

With AI's deployment in private wealth, portfolio managers will be in a better position to explain complex new positions to the client about what's happening and why it's happening.

Figure 7

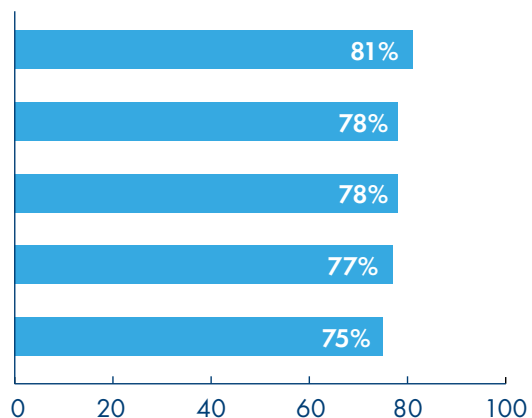
A. Percentage of European wealth managers who believe their company must take the following steps to establish wealth managers of the future

- Deployment is still siloed at the functional level; we need to scale AI
- Advisors and staff need to be trained to fully understand and benefit from the capabilities of automation technologies
- Change management is needed to address challenges around the massive shift we're beginning to experience
- Our senior management needs to commit more resources (budget) to technology



B. Percentage of European wealth managers who agree with the following statements about being a successful wealth manager of the future

- Success will depend on working effectively (connecting) with different demographics, such as younger investors
- Having a global mindset and deep knowledge of foreign markets will be even more crucial
- Increased personalization of products will be critical to facilitating successful goals-based investing
- Being adept at technology will be key to success
- Emotional intelligence will distinguish advisors from the crowd



All of the experts interviewed by Forbes Insights point to the value of experience and wisdom that enable advisors to understand the human aspects of goals, the interactions and dynamics that can characterize the management of family wealth and complex personalities. As the futurist Gerd Leonhard noted in this report, relationships and expertise remain a competitive advantage.

The modern client-advisor relationship is powered by mobile platforms and digitization—and AI technologies like machine learning—but it remains at its core a very human one. Technologies should be seen as a means to a business end, with the goal being increased client satisfaction from understanding the three pathways to success covered in this report.

Wealth managers will need a platform that is scalable and integrated.



“ If banks rely on legacy technology they cannot launch new products or services quickly enough. So I think it's key that a bank's structure and architecture is flexible enough that they can very easily and quickly bring those new products to market. Their customers now expect it.

Steen Jensen,
Temenos Managing Director, Europe

About Temenos

Temenos AG (SIX: TEMN), headquartered in Geneva, is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic front office and core banking, payments, fund management and wealth management software products enabling banks to deliver consistent, frictionless customer journeys and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve industry-leading cost-income ratios of 25.2% and returns on equity of 25.0%, 2X better than the industry average. These clients also invest over 53% of their IT budget on growth and innovation versus maintenance, which is 2.5X better than the industry average, proving the banks' IT investment is adding tangible value to their business.

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