

COVID-19: A Global Perspective on the Impact on Wealth Management

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IMPACT POINTS

- Since March 2020, the global wealth management industry has been tried, tested, and challenged in ways virtually unfathomable at the beginning of the year. Early indications point to successful results experienced by well-capitalized incumbents—mainly U.S.-domiciled—that have invested heavily and regularly over the last 20 years in modernizing their firms’ front-to-back technology capabilities and that have embraced digital client engagement. On the other hand, most firms in Europe and the Asia-Pacific, particularly those that began their digital transformation only sporadically in recent years, or too late, did not fare so well.
- The impact of remote working on employees and clients is deep and far reaching. Global wealth managers had to quickly sharpen and bolster their client communication and service efforts while doing business in a socially distant fashion—no small task for a traditional advisor-led business model. Not surprisingly, nearly 70% of the firms surveyed in this report experienced client communication levels well above the prior year’s level. A comparable scenario emerges regarding demand for client digital capabilities, with over 50% of firms globally reporting a major increase of clients demanding digital engagement. None of the surveyed firms around the globe experienced a drop in client demand for digital. This major shift in client demand for digital may very well redefine the wealth management engagement models of many more sustainably—maybe even permanently.
- A more balanced picture presents itself when looking at outbound marketing. Most firms have not launched any new marketing campaigns during the initial phases of the COVID-19 crisis in order to avoid appearing tone-deaf. Firms focused instead on communicating to consumers that they are open for business and there to help them. Overall marketing levels did not change from the prior year, with some firms reporting marginal increases or marginal decreases in marketing levels.
- The major increase in clients’ demand for digital capabilities is rather noteworthy given the wealth management industry’s traditional advisor-led business model. Furthermore, those firms that have invested in and supported digital transformation over the long haul have often complained about the low return on investment (ROI). However, now that adoption rates are finally in line with expectations, over 90% of firms exhibited some degree of satisfaction with client receptivity to digital engagement—welcome validation of their efforts and, potentially, what keeps them relevant and in business.
- As the second wave of the COVID-19 pandemic emerges, and temporary client service and regulatory platform protocols become more sustainable, virtually all industry participants are taking the necessary steps to upgrade their communication technologies, and client management and reporting systems. It is simply a question of urgency and budget, resulting in potentially one of the best opportunities for wealth management industry vendors to add value to their client firms by increasing service and support levels and remaining flexible during and after the crisis.

INTRODUCTION

Since the first case of COVID-19 was discovered in China in December 2019, billions of people around the globe were sent into lockdown, and virtually every sector of society and industry was impacted for better or worse.

The nature of the crisis impacts wealth management on multiple levels. Provided the pandemic not only represents a possible health crisis for many wealth management clients who often are of an advanced age, clients are also worried about their financial lives due to the great level of volatility in financial markets around the globe triggered by the lockdown measures. The virus's unprecedented nature makes it hard to predict the length or precise course of the crisis. As developing an effective vaccine against the COVID-19 virus will most likely take us well into 2021, it is increasingly becoming clear that the world will be in crisis mode for an extended period.

Social distancing, a necessary measure to limit the spread of COVID-19, has created a new situation for wealth management—a business model traditionally anchored on personal interactions between financial advisors and wealthy clients. Many wealth management firms must adjust their client engagement model substantially in order to remain the trusted partner for their clients in these challenging times.

On a positive note, the wealth management industry is in a better position today than at any other point in history to meet the challenges of the COVID-19 crisis. Leading incumbents are well-capitalized and have recently invested in modernizing their firms' front-to-back technology capabilities. They have also embraced digital client engagement models that will put them in a better position to weather the current storm than technological laggards. Nevertheless, it is likely that this crisis will cause substantial stress for investors and cause some to switch providers due to shortcomings displayed by wealth management firms and financial advisors. Firms that come into this crisis with a weak balance sheet or that have missed the opportunity to embrace the latest technology will risk losing clients and possibly go out of business.

Now three months into this crisis, this report reviews how wealth management firms around the globe have weathered this unique business challenge, whether their technology platforms have been able to live up to client expectations, and what course of action they are planning to take in the future. Given that COVID-19 is a global pandemic, this report compares the situation across three continents (North America, Europe, and the Asia-Pacific).

METHODOLOGY

This Impact Report is based principally on responses to a quantitative survey posed to 31 wealth management practitioners in North America, Europe, and the Asia-Pacific in April and May 2020. The firms are headquartered in the following countries: Austria, Canada, China, Germany, India, Japan, Liechtenstein, Norway, Portugal, Singapore, South Korea, Taiwan, United Arab Emirates, the United Kingdom, and the United States.

THE MARKET

With the onset of the COVID-19 pandemic in March 2020, we identified a number of challenges and opportunities for wealth management firms, vendors, clients, and stakeholders both up and down the value chain. Those predictions have manifested, as we can already see, only three months into the pandemic: those who are well-placed to flourish, those who will manage, and those who are too late. The clear lesson is that digital is no longer an ancillary side strategy or business line within wealth management. It is firmwide, is strategic, and is an inseparable enabler of key performance indicators such as client communication volume, trading volume, investment performance, net flows, and outbound marketing activities. The market trends listed in Table A illustrate the market implications of these new trends.

Table A: The Market

| Market trends | Market implications |
|---|---|
| <p>The performance of global wealth management businesses since the onset of the COVID-19 pandemic directly correlates to their digital capabilities. The greater the digital adoption levels, the higher the organizational readiness to support a remote operation—thus, the better the performance.</p> | <p>The future is far more digital and far less physical, with a strong impact on front-office salespeople, product specialists, and support teams. As the world expects a prolonged period of social distancing, those firms that have not yet digitized or experienced high adoption levels will find themselves at the mercy of nervous clients and stronger competition ready to poach.</p> |
| <p>Given the elusive nature of the pandemic, factors affecting business performance are slippery and intertwined.</p> | <p>As the crisis resulted in an unprecedented global lockdown and record-breaking levels of market volatility, wealth management firms had to up their game vis-à-vis executing higher business volume and maintaining operational efficiency in an environment of social distancing—both from clients and colleagues. Firms will have no choice but to rededicate their focus on their stakeholders’ best interests, accelerate digitization, and recruit smartly.</p> |
| <p>Increased demand for digital capabilities and increased adoption bodes well for firms advancing their digital engagement strategies.</p> | <p>While all but 7% of the firms in this global survey have been, to some degree, satisfied with the client receptivity to digital engagement since the onset of the pandemic, Aite Group expects firms to continue on their digital transformation journey and redefine their business models toward a greater focus on digital engagement.</p> |

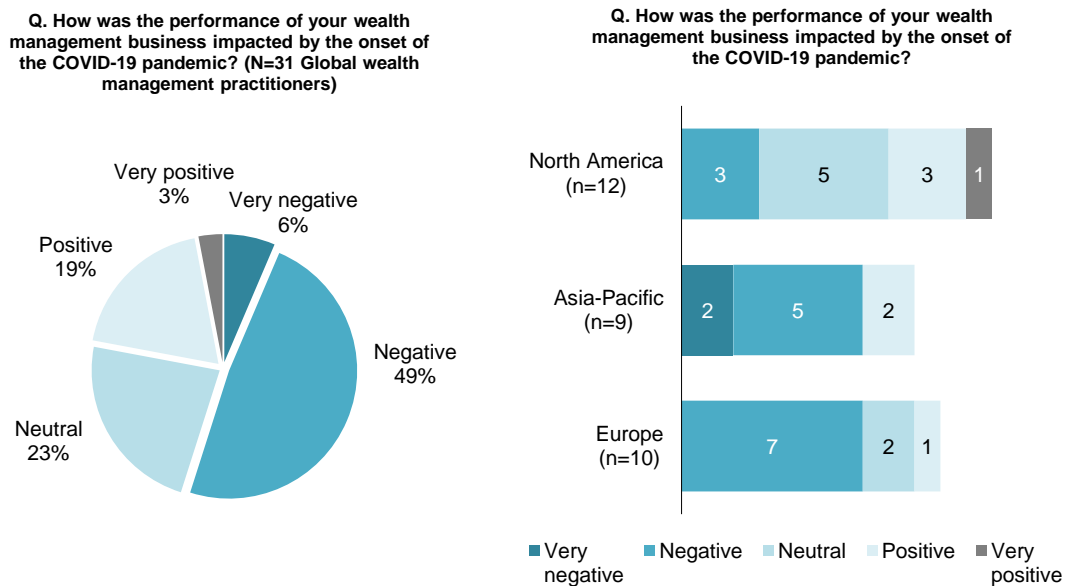
| Market trends | Market implications |
|--|---|
| <p>Changes will be made to firms’ existing technology setups—it’s only a matter of time and budget.</p> | <p>Budget preparation and capital planning exercises in Q3 2020 will be quite telling with respect to the pace of change and the actual modules to be changed. Aite Group expects the fastest changes to be undertaken to improve firms’ digital client engagement platforms. While critical, and arguably most important for the long term, analytics capability upgrades will not be as urgently addressed, as the projected ROI for these upgrades is extremely difficult to calculate and validate, and implementation times can be long.</p> |

Source: Aite Group

VITAL SIGNS OF AN INDUSTRY

In order to accurately gauge the impact of the COVID-19 crisis on the firms surveyed, Aite Group posed several high-level and detailed (business-specific) questions. The wealth managers in our ecosystem were initially asked to rate their performance since the onset of the COVID-19 pandemic. As to be expected, the majority of respondents report negative impacts: Fifty-four percent of participants globally report their performance was negative or very negative; most Asian and European firms have been negatively impacted. In North America, only a few firms have been negatively impacted, indicating that these firms have benefited from their investments and the progress they have made in the area of digital transformation in recent years (see Figure 1).

Figure 1: Business Impact of the COVID-19 Pandemic

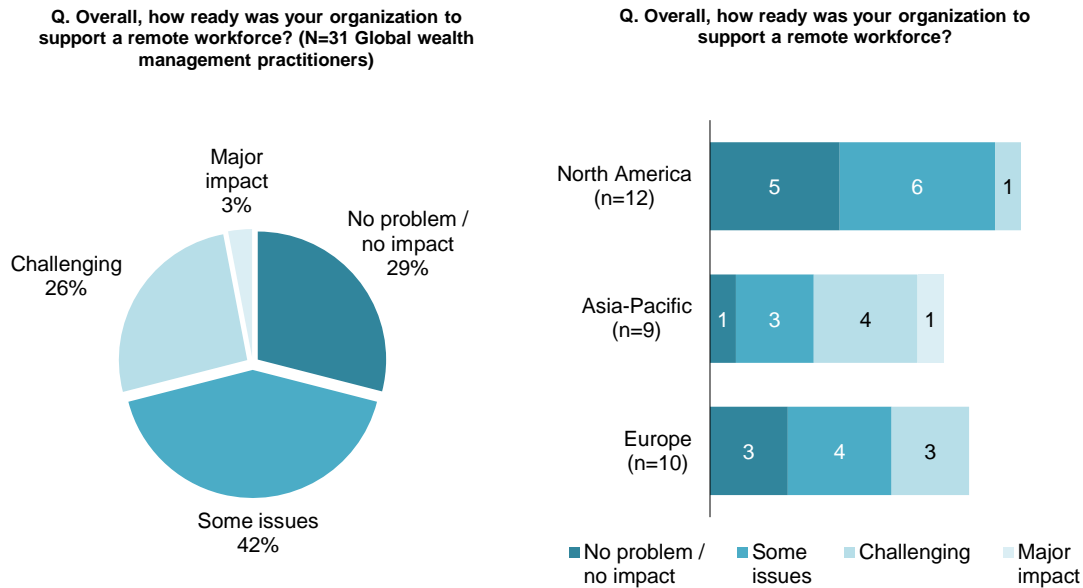


Source: Aite Group’s survey of 31 global wealth managers, May 2020

Across the Asia-Pacific and Europe, a wide cross-section of multinational firms, midsize regional firms, small-scale boutiques, and Middle Eastern wealth managers that service their clients across European booking platforms landed in the negative category. In North America, those that responded negative ranged from the U.S. subsidiary of a multinational corporation to a regional broker-dealer firm.

The ability to transition to a remote working environment, forced upon firms by the sudden government-issued lockdowns around the globe, appears to correlate with the prior question around business impact. Asian firms had the hardest time accommodating a remote workforce, with about half having been majorly impacted or challenged by office closures. Only a few European wealth management firms report challenges, which is roughly in line with the global average, while only one firm in North American reports challenges (see Figure 2).

Figure 2: Impact of Remote Workforces



Source: Aite Group’s survey of 31 global wealth managers, May 2020

As the survey indicates, adjusting to remote workforces has been a hurdle for many firms around the globe. Some firms have seen their IT systems unable to support these new levels of remote access—a problem that in many cases could be solved within a matter of days. The bigger problem, though, is the cultural component. While countries such as the United States and the United Kingdom have a great deal of experience with remote workers or telecommuters because working remotely is frequently seen as a desirable setup by employees, this is not the case in countries such as Japan, where in-office work cultures are the norm.

With that in mind, it is no surprise that the impact of remote workforces on the business performance of wealth management firms varies greatly. Half of the firms in North America report that working remotely had a positive impact on their firm’s performance, with a few firms seeing the impact as even very positive, and no firm reports negative business performance impacts (see Figure 3). Employees have reinvested some of the time they have gained from eliminating their daily commutes into job productivity.

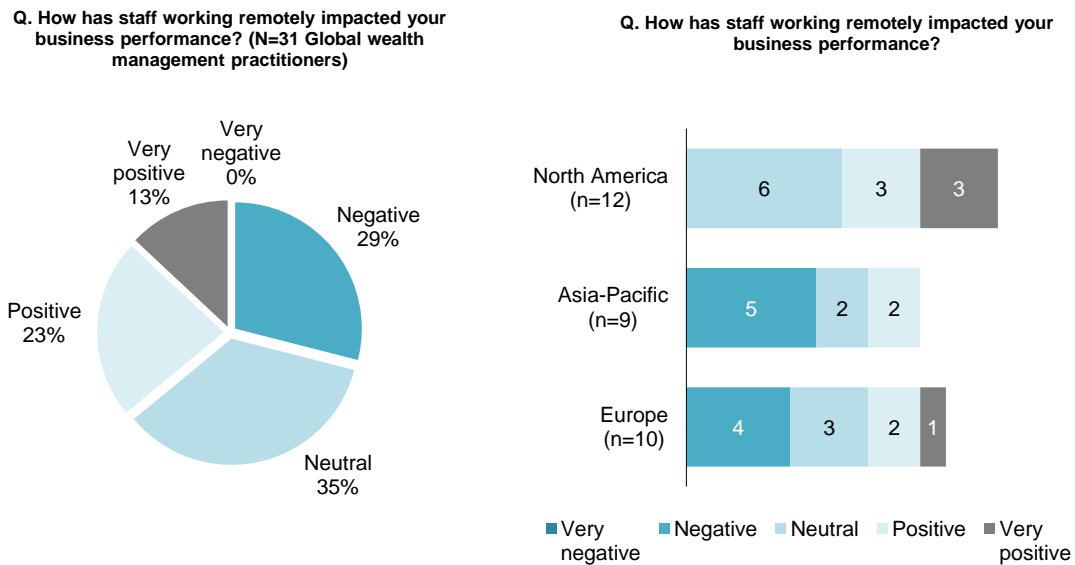
In Europe, the picture already looks quite different, and the scale tips into negative territory. While a few firms see a positive impact, a solid minority of interviewed firms have been impacted negatively. In the Asia-Pacific, about half of firms see negative impacts resulting from working remotely.

Aite Group’s recent report¹ dedicated to the impact of remote workforces, which covered all financial services sectors and not just wealth management, found that financial institutions

1. See Aite Group's report, *Under Lockdown: Workplace Agility in Financial Services*, April 2020.

expect that only 78% of at-home employees will return to the office after the crisis. It is safe to say that the industry will look different from that perspective post-COVID-19 pandemic.

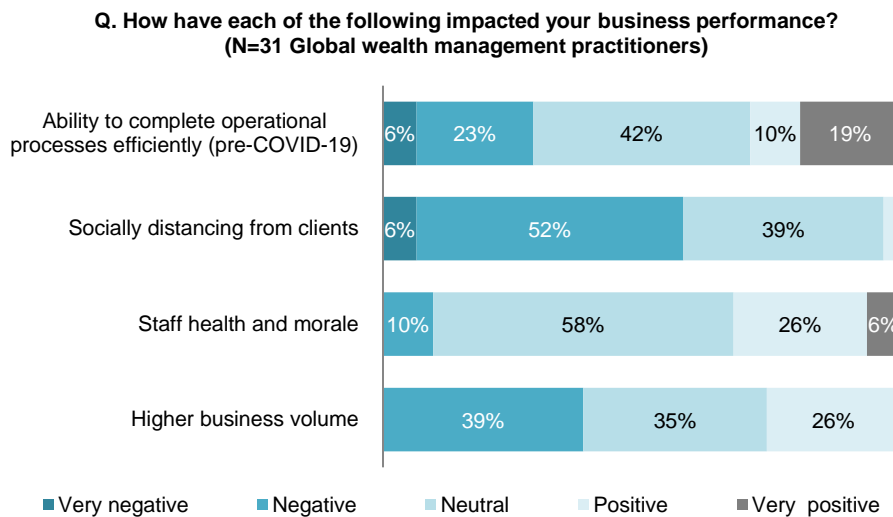
Figure 3: Impact of Working Remotely on Business Performance



Source: Aite Group’s survey of 31 global wealth managers, May 2020

Working remotely is not the only factor that has impacted business performance, though (see Figure 4). The pandemic is a health crisis not only for clients but also for employees of wealth management firms. Luckily, only one in 10 firms report negative impacts on their business resulting from staff health or morale. About half of interviewed firms (58%) see no change in that area.

Figure 4: Factors Impacting Business Performance



Source: Aite Group’s survey of 31 global wealth managers, May 2020

The next three items listed in Figure 4 are key factors that are intertwined. Since the crisis resulted not only in a lockdown but also in increased market volatility and, as such, nervousness among wealth management clients, wealth management firms had to deal with higher business volume and maintain operational efficiency while working remotely and being socially distanced from clients.

Starting with the ability to complete operational processes such as account opening, from a global perspective, results are widespread, with 29% of respondents reporting negative or very negative business impacts caused by operational matters, while 30% report positive or very positive impacts. This picture changes from region to region. While the majority of firms in North America see positive or very positive impacts, only a few European firms report the same. It is remarkable that not a single Asian wealth management firm sees positive impacts from operations, but about half have been negatively or very negatively affected from the inability to complete processes effectively.

Clearly, operational issues are not good news in times of heightened business volume. It is little surprise, therefore, that similar to the operational challenges, about half of Asian firms see their business performance negatively impacted by the increased business volume. For Europe, despite only a few firms reporting operational challenges, close to half have been negatively impacted by business volume increases. None of the European firms report a positive impact resulting in this area. North America is the only region in which firms have been able to take advantage of higher business volume, with half of survey respondents reporting a positive business impact in this area.

Social distancing from clients is certainly a burden for financial advisors across the globe, with about half of all firms globally (and most firms in Europe and the Asia-Pacific) noting negative impacts from it. Only one global firm based in North America has seen any positive effects resulting from it. The best possible business outcome from social distancing seems to be having no impact from it (39% of firms globally or the majority of North American firms).

BUSINESS VOLUME DEEP DIVE

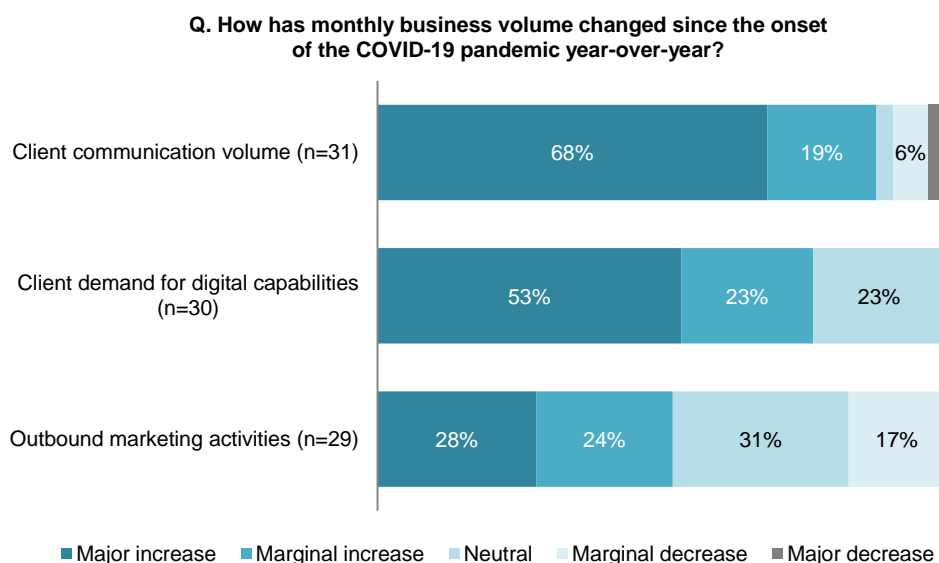
As discussed in the previous section, the pandemic has triggered not only a health crisis but also greater volatility in financial markets and, as a result, more client activities. This section provides a closer look at a variety of current business volume indicators and how they have changed in comparison to the prior year.

Taking a look at communication-related indicators first, it becomes apparent that wealth management firms worldwide have had to step up their client communication efforts as a result of this crisis while being socially distanced from their clients and having to transition to a remote working environment. As shown in Figure 5, 68% of firms around the globe say that client communication levels have seen a major increase in recent months compared to a year ago, and a further 19% have experienced marginal increases. Only 9% of firms globally see a marginal or major decrease in client communications, with all of these firms being located in the Asia-Pacific.

A similar picture presents itself when looking at the demand for client digital capabilities. Given that clients are in urgent need of receiving services during times of social distancing, it is little surprise that 53% of firms globally report a major increase of clients demanding digital engagement, and a further 23% see a marginal increase in that demand. It is very telling that none of the surveyed firms around the globe have experienced a drop in client demand for digital. While digital transformation has been on firms' agenda for some time now, many wealth management firms have held on to their traditional, advisor-led engagement models, frequently quoting clients lacking adoption of the digital tools they have made available. The seismic shift in client demand for digital triggered by the crisis, and the lengthy nature of lockdown measures, might redefine the wealth management engagement models of many firms forever.

A more balanced picture presents itself when looking at outbound marketing. Most firms have not launched any new marketing campaigns during the initial phases of the COVID-19 crisis in order to avoid appearing tone-deaf in the eyes of the consumers. Firms focus instead on communicating to consumers that they are open for business and there to help them. Overall marketing levels have not changed from the prior year, with some firms reporting marginal increases or marginal decreases in marketing levels.

Figure 5: Changes in Select Business Volume Metrics—Communications



Source: Aite Group’s survey of 31 global wealth managers, May 2020

From a transactional perspective (e.g., net flows, new accounts), in almost all categories, the bulk of respondents (around two-thirds to three-quarters of firms) globally report stable (neutral) business volume or a marginal increase (see Figure 6). Differences can be found on a regional level, though (not depicted in the figure):

- With the exception of the discretionary portfolio management categories (net flow into existing and volume of new accounts) in which a few firms have seen marginal decreases, none of the North American firms have seen any decrease in these business indicators.
- While European firms observe resilient business volume across these categories (also with around a majority of firms reporting neutral or marginal increases in these transactional indicators compared to the prior year), depending on the category, a minority of firms have seen volume decreases in Europe. None of the European firms report major increases in any of these categories.
- The Asia-Pacific has been broadly spread, with about half of firms reporting stable business volume (neutral), a few firms showing increased business volume, and a few firms showing decreased transactional business volume.

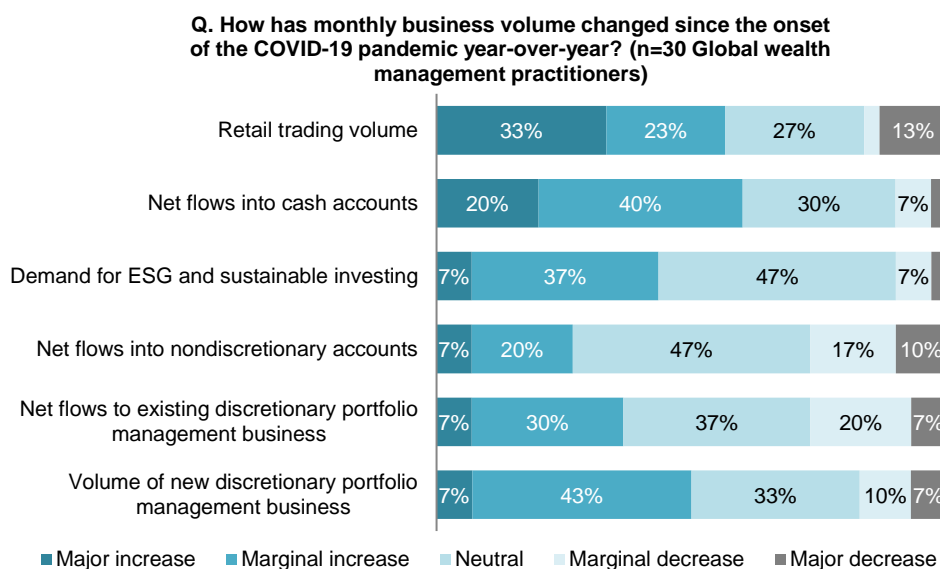
On an individual level, the standout category around the globe is trading volume. As can be expected in times of increased market volatility, 33% of firms have experienced a major increase in retail trading. At least half of North American and Asian firms report experiencing major increases in retail trading. In Europe, trading volume has been somewhat more stable compared to a year ago, without any major changes in one direction or another. The distribution is very balanced, with a few firms having observed marginal increases and an equal number of firms having observed marginal decreases.

It is also remarkable that 60% of firms globally have seen major or marginal increase of net flows into cash accounts. Lockdowns have resulted in some liquidation of positions in financial markets, but spending reductions appear as higher savings rates for consumers who have been able to remain gainfully employed during the crisis. Only 10% of firms globally seem to have experienced a drop in net flows into cash accounts, made up of only European and Asian firms.

A clear winning proposition in these testing times is discretionary portfolio management. Half of all surveyed firms globally have seen new discretionary business increase in a major or marginal way since the start of the COVID-19 crisis. Exactly half of European firms report an increase in discretionary portfolio management business, while in North America, the majority have seen a hike in this area. It appears that clients are voting for professional portfolio management in times of great stress.

Further, the pandemic, paired with many social crisis situations around the globe, and ecological challenges seem to have created a much greater awareness of environmental, social, and governance (ESG) criteria and sustainable investing among wealth management clients. Forty-four percent of firms globally have seen client interest in these areas increase. Consumers seem to vote not only on election day but also increasingly with their financial assets.

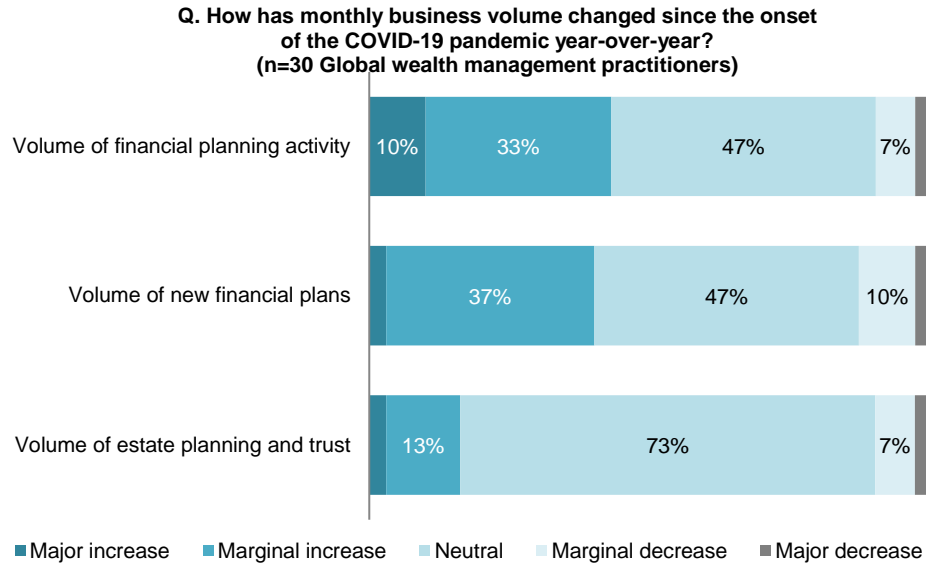
Figure 6: Changes in Select Business Volume Metrics—Transactions



Source: Aite Group’s survey of 31 global wealth managers, May 2020

The increase in market volatility due to the pandemic has prompted clients to review their financial picture and verify if their set goals are at risk. Forty-three percent of firms globally have seen an increase in financial planning activities (see Figure 7), and only 10% of firms have seen a drop. Forty percent of firms have also seen an increase in setting up new financial plans. For both areas, North American firms are leading the way, which is no surprise given the long history of financial planning in North America. While a few of European respondents have also seen their planning volume increase, the majority of Asian firms report greater financial planning activities.

Figure 7: Changes in Select Business Volume Metrics—Financial Planning

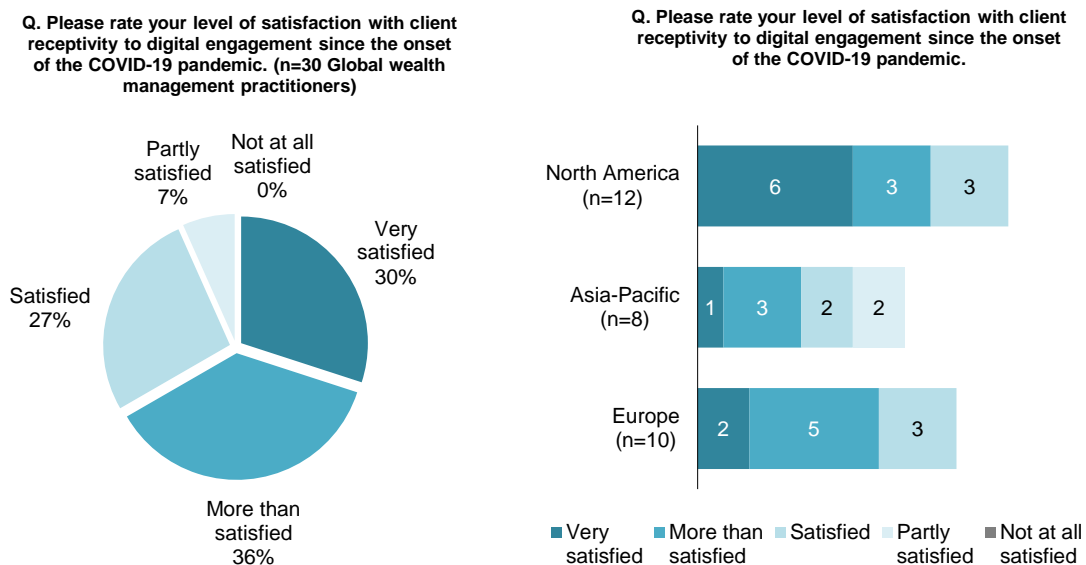


Source: Aite Group’s survey of 31 global wealth managers, May 2020

SATISFACTION LEVELS

As shown in Figure 5, 53% of wealth management firms globally have noticed a major increase in clients’ demand for digital capabilities with the start of the COVID-19 crisis compared to a year prior. This is a remarkable shift given the wealth management industry’s traditional advisor-led business model and that wealth management firms have been complaining for years that their clients show low adoption of the digital tools available to them. It is no surprise, therefore, that all but 7% of the surveyed firms are, to some degree, satisfied with the client receptivity to digital engagement since the onset of the pandemic (see Figure 8), with the majority of firms in each region being either very satisfied or more than satisfied. North America seems to lead the way in this measure. Europe shows encouraging satisfaction levels also, while the Asian market shows a much broader spectrum of responses, with a few responding firms not being satisfied with the client receptivity toward digital engagement. It seems that much client training and education still needs to be done by these firms.

Figure 8: Client Receptivity for Digital Engagement



Source: Aite Group’s survey of 31 global wealth managers, May 2020

As this is often the case with innovative propositions, client receptivity will follow if the proposed solutions appeal to them. However, firms have to create a compelling proposition first. Digital engagement platforms are no different in that way. While digital transformation had been on firms’ agenda for many years, it took the industry a long time to get to digital platforms with client appeal. Not wanting to create in-house competition to a well-paid advisor force might have been one reason for the slow evolution in this area.

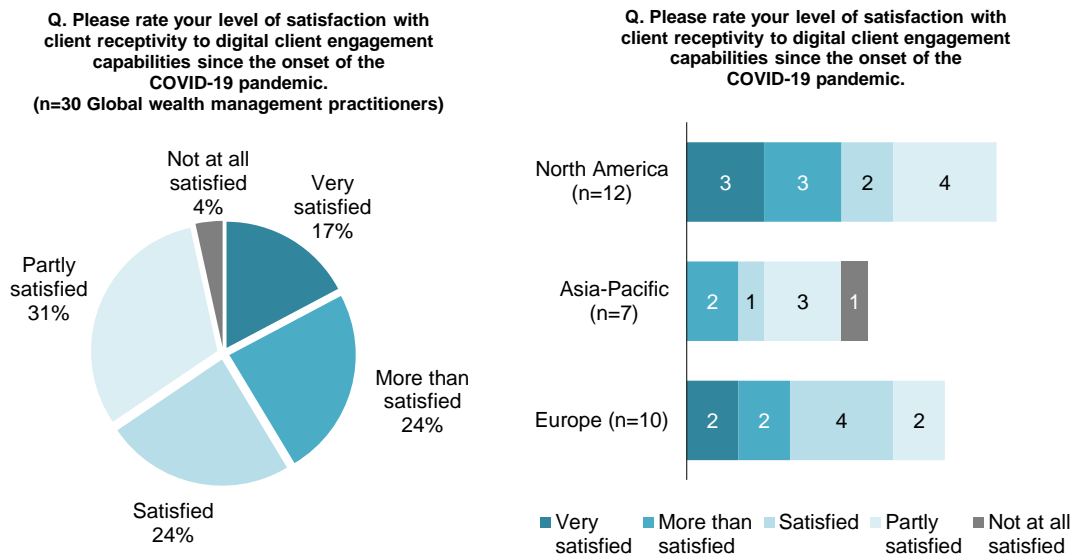
This pandemic and the abrupt shift into a lengthy lockdown situation are a true test of the digital engagement platforms that wealth management firms have built to date. Figure 9 shows the satisfaction surveyed firms have with the quality of their digital engagement capabilities. It is encouraging to see that on a global level, around two-thirds of firms are satisfied, more than

satisfied, or very satisfied with their digital engagement capabilities. Among European firms, most report to be satisfied or more than satisfied with their digital client tools.

On the flipside, 34% of respondents globally are only partly or not at all satisfied with their digital client engagement capabilities. In particular, Asian firms have shown a great deal of dissatisfaction in this area. About half of respondents are only partly satisfied or not at all satisfied. It is no surprise, therefore, that client receptivity to digital engagement ranked the lowest among the three regions (see Figure 8).

While in the past wealth management firms have gotten away with less-than-satisfactory digital platforms, as they could rely on the effectiveness of their financial advisors in the field, the current crisis has put all of the emphasis on digital. As shown in Figure 4, higher business volume can have a positive or negative impact on a firm’s business performance, and digital capabilities have become a crucial deciding factor in this matter.

Figure 9: Satisfaction With Digital Engagement Capabilities



Source: Aite Group’s survey of 31 global wealth managers, May 2020

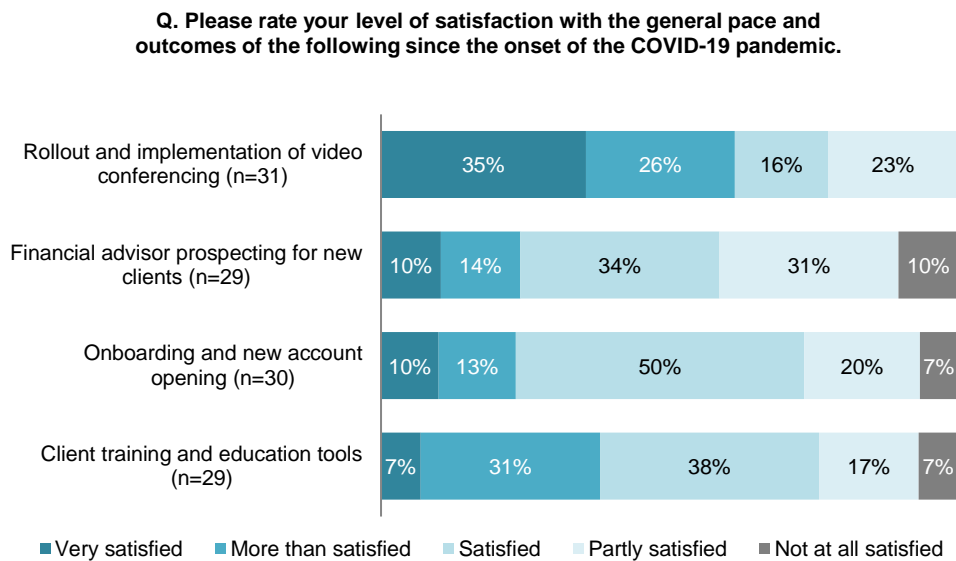
A saving grace for many wealth managements firms has been video conferencing. The overnight success of Zoom as a professional and personal video conferencing platform is a testament to the advances in this area. In a world of social distancing, wealth management firms have benefited greatly from these technologies, with more than three-quarters being satisfied or more than satisfied with the rollout and implementation of the platforms at their firm (see Figure 10).

As many clients have been using some of the digital engagement tools for the first time, client training and education tools are also playing a very important role. Similar to the video conferencing capabilities, surveyed firms have shown a great level of satisfaction in this area. The availability of effective training tools, often delivered as short video clips, can help greatly with increasing the client receptivity for digital engagement (see Figure 8).

Despite the availability of video conferencing, 41% of firms globally are partly satisfied or not at all satisfied when it comes to the ability of advisors prospecting for new clients since the start of the COVID-19 crisis. Prospecting for wealth management clients is all about an advisor being able to establish a trusted relationship with a prospect. It can be assumed that in-person meetings will continue to be a vital tool for advisors in this area.

For the final measure in this section, the survey has probed participants to state their level of satisfaction with the pace of onboarding and new account opening. Results have shown a mixed picture, with 23% of respondents globally being very satisfied or more than satisfied with their abilities in this area, while 27% see room for improvement. Going back to Figure 4, higher business volume can have a positive or negative effect on a firm’s performance, and the pace of onboarding and account opening is certainly a key enabler.

Figure 10: Satisfaction in Various Areas



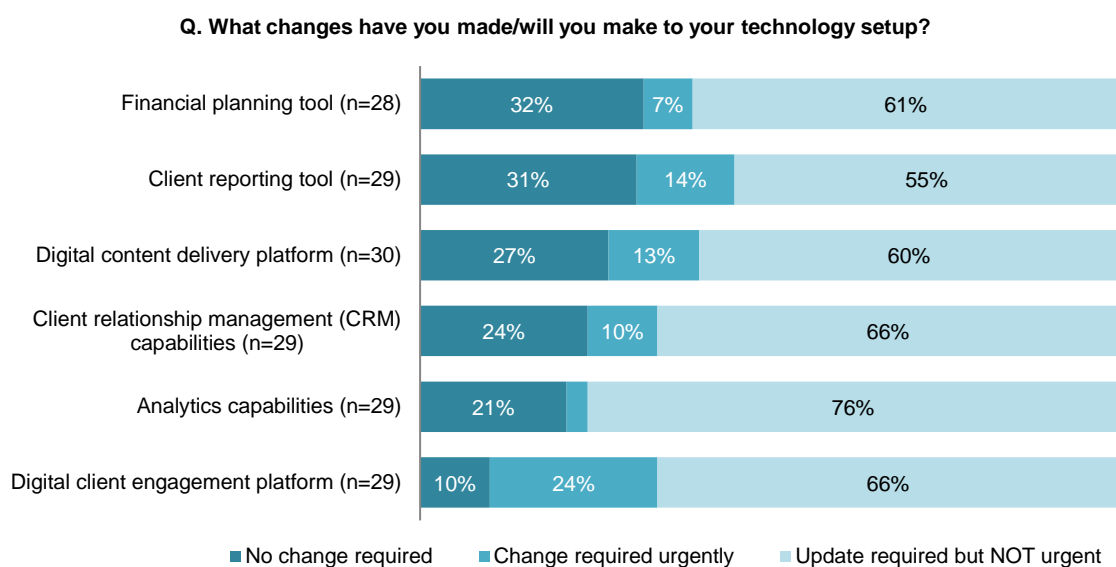
Source: Aite Group’s survey of 31 global wealth managers, May 2020

MAKING NECESSARY CHANGES

Despite the level of satisfaction with digital engagement tools discussed in the prior section, the COVID-19 crisis has handed wealth management firms a long list of action items, some to be addressed urgently and others with a somewhat longer timeline. In the survey, respondents were asked about a list of application areas (see Figure 11), whether they need to make changes to their current setup in those areas, and how time-sensitive those changes are for the firm. It is very telling that in all application areas, more than two-thirds of respondents are required to make changes to their setup.

It is apparent that technology initiatives will be keeping the industry busy for the foreseeable future. Urgent areas of change include the all-important digital engagement platform, on which almost a quarter of all respondents globally need to make urgent changes, and an additional two-thirds of respondents are building a list of required changes to be tackled in the future. Digital content marketing and client reporting are further application areas that require immediate changes for 13% and 14% of respondents, respectively. These change requirements are in direct relation to the sharp increase in client communication volume, as Figure 5 has shown, which has made the communication platforms of many firms look inadequate. A surge of marketing automation is on the horizon—an area that greatly benefits from analytics capabilities—which is an application space that 76% of firms have earmarked as a focus area down the road. The often lengthy nature of analytics implementations explains why only 3% of respondents signal to make immediate changes in that area. One can assume that these are the firms that already have some analytics capabilities in place, which they can then tweak or work with a vendor to add analytics in a seamless manner.

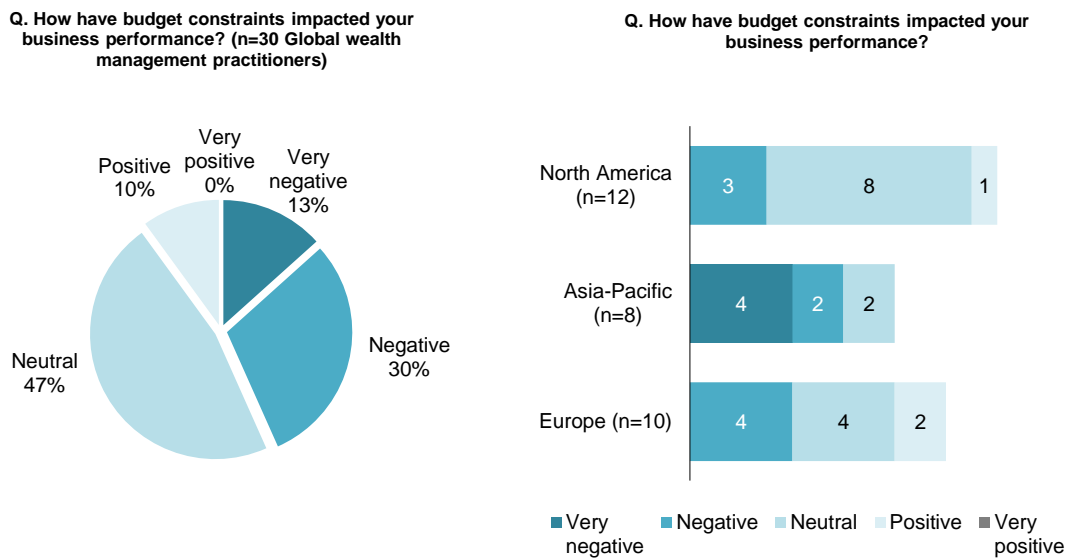
Figure 11: Business Application Updates



Source: Aite Group’s survey of 31 global wealth managers, May 2020

Of course, technology initiatives require the necessary budgets. As shown in Figure 12, 57% of firms globally feel that budgets are sufficiently available to have a positive impact on their business performance. Most of North American firms are confident that budget constraints will not hinder their business performance. About 60% of European firms feel the same, while the other 40% feel the burden of budgets constraints. The availability of sufficient budgets seems to be a main concern for Asian firms, though. Half of respondents in the Asia-Pacific feel that budget constraints are impacting business performance in a very negative way, and no Asian firm feels that budgets are sufficiently available to have a positive business impact. This could explain why Asian firms have been in a much worse position to respond to the pandemic compared to their North American and European peers.

Figure 12: Impact of Budget Constraints on Wealth Management Businesses



Source: Aite Group's survey of 31 global wealth managers, May 2020

CONCLUSION

- Aite Group’s survey of 31 firms globally has shown that the COVID-19 crisis has had a major impact on wealth management businesses. While 54% of firms globally have experienced negative impact from the crisis, 22% of firms have actually seen their business impacted in a positive manner. The ability to rapidly transition to a remote workforce while handling heightened business volume as well as the availability of a digital engagement platform have proven to be deciding factors for business performance over the last three months:
 - North American firms have demonstrated a great deal of resilience in this crisis so far. The experience with a remote workforce has proven to be invaluable for firms, as have past technology investments and focus on digitalization. Clients in North America have also shown the greatest receptivity for digital engagement. As a result, no firm in North America reports negative impact due to the lockdown, and half of the surveyed firms in this region report a positive business impact from higher business volume—for example, the majority of firms report a volume increase in new discretionary portfolio management business compared to a year ago.
 - European firms have experienced greater challenges due to the pandemic. Firms are equally split among those that have had no issues, those that have had some issues, and those that have had challenges due to the transition to a remote workforce. As a result, almost half of the firms in this region report negative impacts due to business volume increases. While exactly half of European firms report a marginal volume increase in new discretionary portfolio management mandates, none of the firms report a major volume increase in any of the product categories. Social distancing has brought negative business impact to most European wealth management firms, indicating that their business models are still being largely defined by traditional, full-service client engagement. Digital platforms are expected to play a much larger role in client engagement going forward for firms in Europe.
 - Many Asian firms have been caught on the wrong foot in this crisis. Transitioning to a remote workforce and social distancing has proven more difficult for Asian firms, as has the shift to a digital engagement model. Firms in this region have shown a great deal of dissatisfaction with their digital capabilities, with about half of respondents being only partly satisfied or not at all satisfied. It is no surprise, therefore, that client receptivity to digital engagement ranks the lowest among the three regions. To make matters worse, Asian firms are faced with tight budgets. About half of respondents from the Asia-Pacific feel that budget constraints are impacting business performance in a very negative way, and a similar number observe increased business volume having a negative impact on their business. Leading Asian businesses that are able and willing to innovate are expected to gain in this crisis.

- The COVID-19 pandemic and the abrupt shift into an almost global lockdown situation are a true test of the digital engagement platforms that wealth management firms have built to date. With client receptivity for digital engagement being not an obstacle any longer, the race is on for wealth management firms to not only meet the minimum client requirements but to also delight clients with an outstanding digital experience. Firms that have already or that will rapidly put their best people and ideas to work on digital engagement will see a direct impact on their business performance, as early results have shown already.
- Social distancing has been a big hurdle for financial advisors when it comes to prospecting for new clients. While digital engagement platforms can support client servicing, winning new clients requires establishing a personal relationship between a financial advisor and a prospective client. Video conferencing is a temporary workaround; however, 41% of firms globally are partly satisfied or not at all satisfied when it comes to the ability of advisors to prospect for new clients since the start of the crisis. While less travel and fewer in-person meetings can be expected to be a result of the pandemic, face-to-face meetings to build personal relationships and trust with clients will remain an important part of the wealth management business model.
- With client communications having seen a major increase worldwide compared to a year ago, wealth management firms have to increase focus on marketing automation. Being able to communicate effectively with clients is part of the skillset of a good financial advisor. In this new digital world, firms have to increasingly rely on technology to get relevant information to their clients and prospects. Analytics goes hand-in-hand with marketing automation. The better the knowledgebase around client characteristics, behavior, and preferences, the easier it will be for firms to communicate effectively with their clients.
- Firms have identified a long list of technology improvements that have to be addressed either right away or over time, including upgrades to digital engagement, digital communication, client reporting, customer relationship management, or financial planning platforms. Forty-three percent of firms globally report that budget constraints are having negative impacts on their business. While a crisis such as the current pandemic can easily lead to further budget cuts, firms are well-advised to move forward with technology initiatives, as time is of the essence and leading firms will not sit idle.

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