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Catalyzing Wealth Management In The Modern Era

The Strategic Role of
Personas in Modern
Wealth Management



temenos

 **LTIMindtree**

Kapronasia
an Atlas Technologies Group Company



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Methodology

The Catalyzing Wealth Management in the Modern Era Report from Kapronasia, in collaboration with Temenos and LTIMindtree, is based on both primary and secondary research. Secondary research included existing and new datasets from Kapronasia's databases, various reports, news articles, commentaries in the media, and case studies. Primary research included discussions with industry experts from financial institutions as well as technology providers.



Executive Summary

Hyper-personalized wealth management presents a paradigm shift from traditional models relying on static, generalized segments. Developing tailored investor personas based on psychographics, behaviours and fluid financial goals enables financial institutions to deliver rich and tailored customer experiences that resonate with next-generation priorities.

This migration to human-centered wealth management unlocks new frontiers in portfolio construction, sustainability offerings and advisory services that cater to the specific needs of diverse clients. As the largest intergenerational wealth transfer in history unfolds, persona-based models provide game-changing agility to continually adapt solutions as trillions in assets pass down to technologically savvy, purpose-driven inheritors. However, current wealth management models often suffer from fragmented data, manual processes, and rigid advisory services, making it difficult to address unique customer needs.

'The Catalyzing Wealth Management in the Modern Era' paper makes the case for hyper-personalization in wealth management powered by emerging capabilities like AI, ML, and cloud platforms. Integrating these technologies can enable advanced customer insights, tailored portfolio construction, and on-demand flexibility. We present examples of global wealth managers leveraging data and technology to enable bespoke sustainability offerings, psychographic profiling, and digitized advisory.

To unlock such hyper-personalization, managers must navigate complex change management, including training staff, transition support, and strategic partnerships. Ultimately, flexible cloud technology paired with future-focused persona strategies allows financial institutions to gain relevance with new generations while opening expanding frontiers to redefine wealth management for the modern era. Ultimately, the organizations that continually adapt their value proposition around the uniqueness of human experience will sustain their relevance.



Understanding Hyper-Personalization in Wealth Management: From Segments to Personas

Concept of Hyper-Personalization in Wealth Management

Hyper-personalization represents a new approach in wealth management that uses detailed analytics to understand each investor's unique perspective on their wealth. It goes far beyond the simplistic segmentation of clients based on their net worth. Through vast amounts of data and advanced analytics, firms can uncover how clients uniquely relate to and find meaning in their wealth based on priorities, values, and connections to family or purpose. Advisors subsequently leverage these profound understandings to deliver bespoke financial solutions aligned to personalized life goals and visions for wealth.

Imagine a scenario where a wealth advisor meets prospective clients for the first time. The traditional approach relies on generically learning about their financial situation, objectives, and interests to craft a moderately customized investment plan based on asset size and pre-defined classification as a mass-affluent or high net-worth individual. Though scalable, this tactic fails to deliver the depth of personalization that contemporary investors expect following years of technological advancement pervading all industries, and hence, necessitates

an alternative approach. According to Capgemini's World Wealth Report 2023, only 50 percent of High Net Worth (HNW) Individuals remain satisfied with their wealth manager's capabilities, and more than 30 percent are considering changing firms.¹

Personas have long been used in wealth management, going beyond just client goals, to categorize clients based on financial priorities, attitudes, and behaviors. Each persona differs in what specific touch points they are looking for from their wealth managers. For example, several distinct investor types exist, from 'status-conscious VIPs' to 'financial-phobics' who are nervous about investing and financial responsibility.

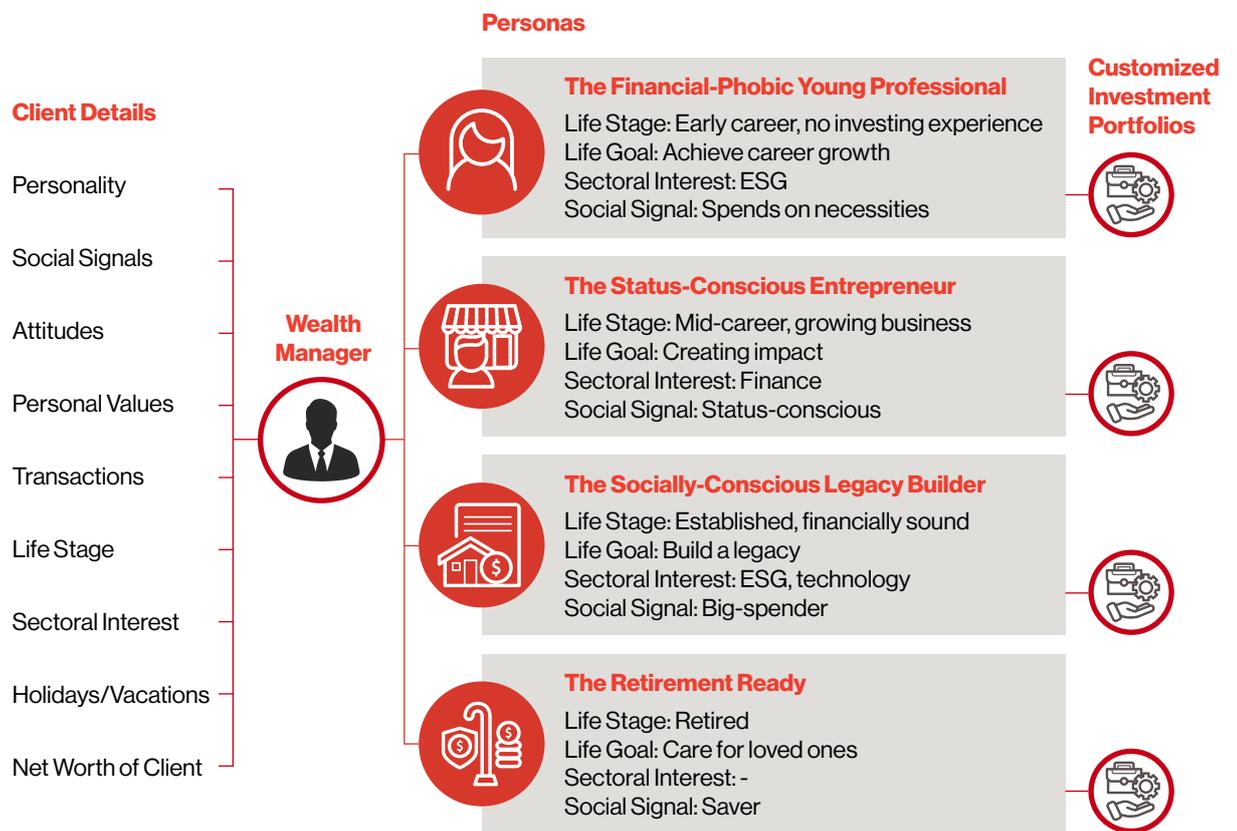
However, the depth at which firms can construct personas today has profoundly expanded due to vast data assets and analytical capabilities, which allow for a more granular and accurate mapping of each client's unique motivations and characteristics rather than relying solely on broader stereotypes.

¹ Capgemini, 2023, "World Wealth Report 2023," <https://www.capgemini.com/insights/research-library/world-wealth-report/>

AI-powered analytics enable financial advisors to provide highly customized wealth management solutions while leveraging technology to drive scalability. With cloud-enabled consolidation of once-siloed data on transactions, demographics, channel interactions and even social media, combined with AI evaluations, unique investor personas can now be identified. Advisors can then quickly match clients to tailored portfolios addressing goals from multi-generational financial security to ESG-aligned social impact investing.

Essentially, the AI-based persona acts as a template - once created for one client, it can be efficiently reused to serve other individuals with similar priorities, risk tolerance and values with minimal added customization. This persona-based approach combines personalization with the scale benefits of standardized profiling.

Figure 1
Example of persona building in Wealth Management



Benefits of Hyper-Personalization

A major benefit of hyper-personalization is the ability to address previously overlooked but high-potential investor segments with tailored solutions. For example, women represent a sizeable yet often overlooked segment despite significant assets under management (AUM) and their role as primary wealth inheritors given higher life expectancy compared to men.

Most of the baby-boomer assets are currently held by joint households (where a female is present but not actively involved in financial decisions). As men pass away, many will cede control of these assets to their female spouses, who tend to be younger and live longer. Along with these demographic changes among older women, younger affluent women are electing to marry later and delay having children due to rising education and employment. The mean age of first marriage for women in OECD countries has increased from 25.2 in 1990 to 31.4 in 2020.² The mean age of women at childbirth was 30 years or above in 2021 for most OECD countries, up from 27 in 1970.³ By spending more time advancing their careers and financial stability before starting a family, women are more financially autonomous rather than relying on a spouse for support.

As women gain more control of finances and invest later in families, financial institutions have an opportunity to develop targeted offerings. Additionally, younger generations of women are increasingly financially and technologically adept. By leveraging analytics to construct investor personas of this high-potential female segment, financial institutions can tailor solutions that resonate. Moreover, once a robust persona is developed, firms can efficiently identify similar clients to scale specialized offerings. This simultaneously empowers female clients while enhancing business revenue and market share for firms providing solutions tuned to women's new financial landscape.

Additionally, hyper-personalization facilitates precise targeting within markets. For instance, while ESG investing is often associated with developed economies, emerging philanthropists in the Middle East and socially conscious investors in the Philippines are also prime candidates for

sustainable offerings. By leveraging analytics to pinpoint such client micro-segments, firms can deliver tailored solutions at a localized scale versus one-size-fits-all national approaches.

By providing such solutions reflecting investor passions around family, philanthropy or impact, firms cultivate intimate client relationships and vocal advocacy. When clients feel deeply understood, satisfaction rises significantly, driving referrals and new business growth exponentially. A survey of 2,600 wealth management clients across 27 geographies by EY revealed that 72 percent of the clients want advisors to have a good understanding of their goals and values to inform product selection.⁴

Barriers to Persona-Based Wealth Management

While investor personas introduce major competitive advantages if leveraged adeptly, wealth managers can face barriers to scalable implementation. Siloed legacy systems create fragmented client data, while time-intensive manual processes limit personalization capabilities. Outdated offerings also restrict the ability to provide customized portfolios and experiences matching unique persona needs.

Adding to this is the competition from agile fintech disruptors who are leveraging cutting-edge technologies to provide personalized digital advisory capabilities. Clients are increasingly inclined to work with these fintechs to manage their wealth due to the sector's low charges, specialized digital experiences, and low friction switching.⁴ To compete across channels, incumbent players must digitally transform to serve varied investor personas efficiently at scale.

² Organisation for Economic Co-operation and Development, June 2022, "SF3.1: Marriage and divorce rates," https://www.oecd.org/els/family/SF_3_1_Marriage_and_divorce_rates.pdf

³ Organization for Economic Co-operation and Development, July 2023, "SF2.3: Age of mothers at childbirth and age-specific fertility," https://www.oecd.org/els/soc/SF_2_3_Age_mothers_childbirth.pdf

⁴ Ernst & Young, April 2023, "When volatility causes complexity, how can wealth managers create opportunity? 2023 EY Global Wealth Management Research Report," https://www.ey.com/en_gl/wealth-asset-management/2023-global-wealth-research-report



Four Key Challenges Underscoring the Importance of Hyper-Personalisation Imperative

Amidst the macro-economic uncertainties stemming from the pandemic, coupled with geopolitical tensions, an energy crisis, and inflation, the wealth management industry is undergoing a significant transformation driven by four key challenges:

- **A massive generational wealth transfer,**
- **Heightened client expectations for personalization,**
- **Intense Competition, and**
- **Cost Pressures.**

The single largest driver reshaping wealth management is an approximately US \$84 trillion intergenerational asset transfer – called “the Great Wealth Transfer” – underway over the next two decades from aging baby boomers to next-generation Gen X and millennial beneficiaries, of which 80 percent are likely to see a new financial advisor to manage the inherited wealth.⁵ Unlike any preceding generation, these recipients largely reject the notion of single-wallet wealth management.

Coming of age alongside mobile efficiency and platform personalization, the next generation expects financial experiences tailored to individual goals ranging from targeted legacy planning to customized ESG investments reflecting personal values. As an example, according to Capgemini’s Wealth Management Top Trends 2022 Report, 39 percent of High-Net-Worth Individuals (HNWIs) less than the age of 40 are likely to request an ESG score for products offered by their firm.⁶ Unless wealth managers rapidly enhance hyper-personalized advisory capabilities catering to

emerging millennial investor personas, they face the stark reality of monumental asset erosion to hungrier competitors. Almost 51 percent of HNWIs less than the age of 40 are not satisfied with the digital interfaces provided by their wealth management firm.⁷

Adding to the above is the compliance-related cost pressure which. Almost 32 percent of senior decision-makers in the financial services industry expect that the total cost of compliance will be greater than 5% of the firm’s overall revenues.⁸

⁵ Forbes, March 2023, “The Great Wealth Transfer will radically change financial services,” <https://www.forbes.com/sites/forbesfinancecouncil/2023/03/09/the-great-wealth-transfer-will-radically-change-financial-services/?sh=359227b25339>

⁶ Capgemini, March 2022, “Wealth Management Top Trends 2022,” <https://www.capgemini.com/wp-content/uploads/2022/03/Top-Trends-in-Wealth-Management-2022-2.pdf>

⁷ Capgemini, June 2021, “World Wealth Report 2021: North America breaks 5-year trend and overtakes APAC in High-Net-Worth population and wealth,” <https://www.capgemini.com/wp-content/uploads/2021/09/World-Wealth-Report-2021.pdf>

⁸ Kroll, “Global Regulatory Outlook 2021,” <https://www.kroll.com/en/insights/publications/financial-compliance-regulation/global-regulatory-outlook-2021>

Technology as a Key Enabler for Hyper-Personalisation

The new face of wealth management seamlessly blends artificial intelligence, cloud computing and digital channels to custom-tailor guidance based on each client persona.

Cloud-powered AI algorithms crunch volumes of data - from asset allocations to social media activity - to construct comprehensive client personas. These dynamic profiles identify motivations, life stage goals and emotional connections to money that advisors use to custom-fit advice. Unlike legacy segmentation, machine learning detects priority shifts over time and iteratively updates personas.

Consolidating data into integrated cloud profiles is critical for unlocking such granular personal insights. Further, cloud elasticity future-proofs the ability to scale real-time recommendation engines as investor bases expand.

Serving a breadth of investor personas also requires flexible digitized engagement models. Some clients wish to self-manage wealth digitally at their

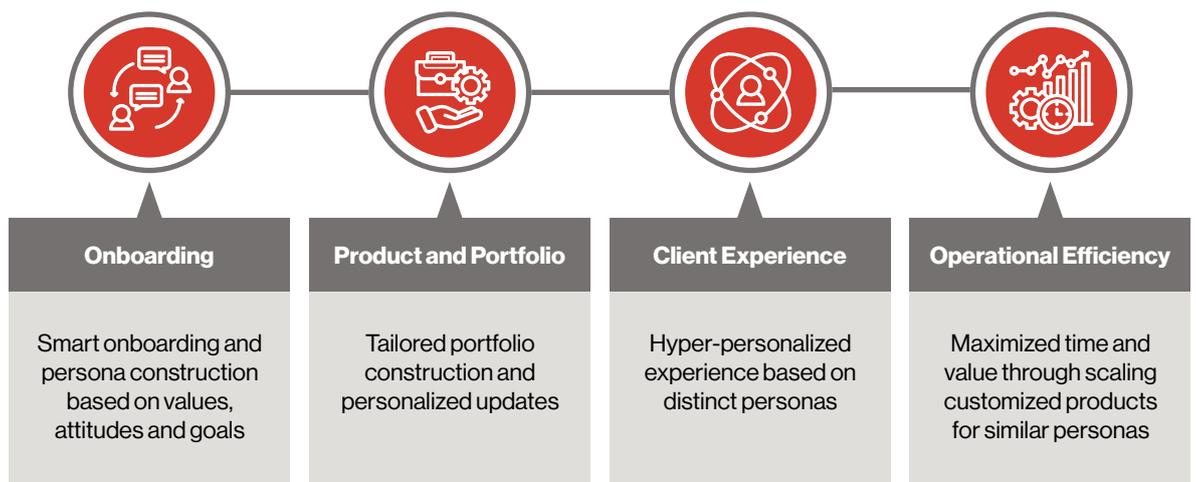
convenience, while others demand high-touch conversations, although there is a higher preference (around 71 percent) for the latter as revealed by the 2023 Global Wealth Management Research Report.⁹ An omnichannel approach allows firms to cater to both ends of the spectrum.

Digitally inclined next-generation clients have 24/7 access to AI-powered robo-advisory fine-tuned to their latest circumstances and interests. Yet those desiring family office-style services receive dedicated advisor relationships leveraging those same technology insights on evolving life goals to elevate conversations.

⁹Ernst & Young, April 2023, "When volatility causes complexity, how can wealth managers create opportunity? 2023 EY Global Wealth Management Research Report," https://www.ey.com/en_gl/wealth-asset-management/2023-global-wealth-research-report

Figure 2

Areas where Artificial Intelligence can add value in Wealth Management



Across the board, the integration of cloud, AI, and digital channels removes wealth management friction points, so clients enjoy guidance perfectly aligned to their personal financial and life visions. Yes, This harmonious synthesis of human customization and machine intelligence represents the frontier of hyper-personalization in wealth management.

Elevating Wealth Management through Digital Transformation – A Case Study with Temenos and LTIMindtree

The Client, a Thai Securities Firm focusing on Investment Advisory managing billions in customer assets for private banking and mass affluent customers, wanted to overcome constrained operational responsiveness from fragmented legacy systems that inhibited product innovation and personalized client experiences.

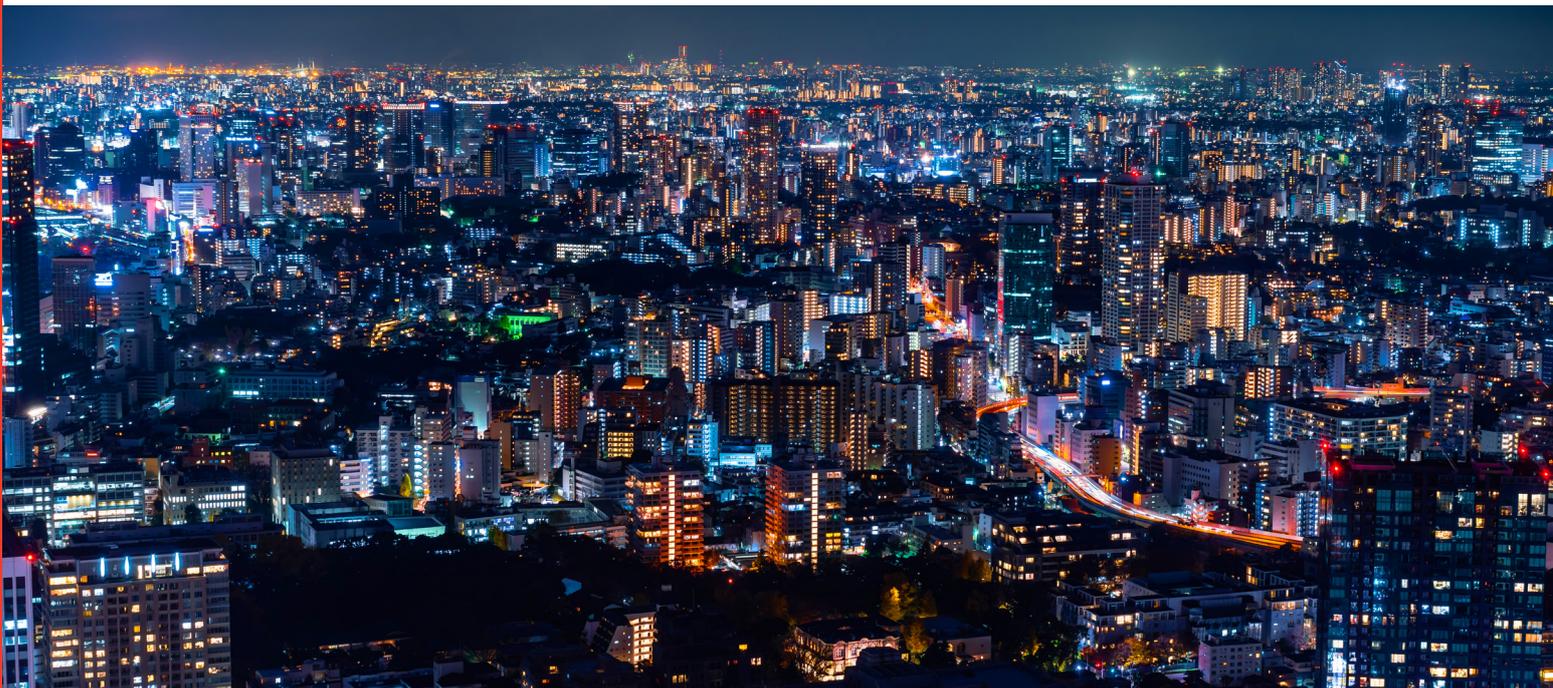
To transform digitally in line with strategic goals, the Client sought an integrated platform providing customer-centric advisory capabilities. After evaluation, the Client engaged Temenos and its delivery partner LTIMindtree (previously known as Syncordis) to lead the transformation project.

By migrating to Temenos' API-first, consolidated Wealth platform, the Client gained multiple benefits empowering next-generation service delivery. Straight-through processing and automated workflows increased front-office efficiency, allowing relationship managers to spend more time on value-added guidance leveraging customer data insights. Rapid multi-asset integration also opened new investment options to meet rising

demand from high-net-worth investors for a broad range of asset classes from securities to complex derivatives.

Additionally, migrating to the Temenos Wealth platform supplied future-proofed scalability to support millions of mass affluent and private banking customers as Thailand's Wealth market rapidly expands. Most importantly, enhanced digitization and personalization capabilities strengthened loyalty among the Client's core high-value customer base by providing tailored experiences reflecting individual financial priorities and life goals. With its customer-centric digital transformation, the Client sustains market leadership amid influxes of disruptive wealth management entrants competing intensely on customer experience.

As part of its commitment, LTIMindtree is building a Temenos Wealth Center of Excellence, offering bespoke training services for internal teams and Temenos customers in Thailand.



Navigating the Path to Digital Transformation

However, effectively navigating the path of digital transformation is imperative for organizational success, demanding a meticulously crafted strategic roadmap built on three foundational pillars - Data Readiness, Change Management, and Strategic Partners. The synergy of these pillars forms a comprehensive recipe, fortifying the organization's resilience within the dynamic landscape of wealth management.



The Data Readiness Imperative

Realizing hyper-personalization relies on accurate, accessible client data. Firstly, firms must possess adequate accessible raw data which can be processed. Secondly, the data must be harmonized to draw meaningful insights.

Many firms contend with highly fragmented environments because of accumulated layers, mergers and acquisitions or stopgap database builds. To meet personalization objectives, firms must transition away from siloed data assets stored in fragmented legacy systems.

Migrating storage and workloads to the cloud can empower firms to consolidate dispersed inputs into integrated lakes. It is here that external Data Hubs can help firms achieve their personalization objectives. Freed from constraints, firms can create unified lakes where advanced analytics uncover multi-dimensional client insights from integrated information.

Change Management Considerations

As firms transition to data-driven customized advisory models, comprehensive change management is imperative for smooth adoption. Extensive training programs are needed to reskill staff. For example, frontline relationship managers

must be equipped to leverage analytics insights and have highly contextual conversations; operations teams should adeptly handle automated workflows; and IT staff require upskilling in managing AI models and cloud platforms.

Operating models also warrant realignment from standardized products to personalized goals-based offerings, digitized advisory touchpoints, and updated risk governance. The breadth of process changes necessitates clearly defined transition roadmaps and effective sponsorship.

Role of Strategic Partners

As firms overhaul operating models to deliver tailored advisory, partnerships provide vital launch support across technology, process, and people capabilities. Strategic alliances with leading providers allow rapid deployment of such solutions while transferring domain expertise. These firms also continually advance core functionalities through cloud, AI, and automation to ensure sustained platform relevance.

Process partners provide complementary consulting on transition roadmaps spanning product design, distribution workflows, policy realignment and digitized governance required to unlock personalization.



Conclusion

In conclusion, shifts in wealth management trends, such as the rise of ESG investing priorities and increasing client expectations, underscore the importance of building personas in wealth management for the future. Millennials and Gen Z, unlike their predecessors, expect hyper-personalized advisory services that reflect their distinctive worldviews. Growing up in a platform economy, the old wealth management paradigm of static personas and generalized offerings is becoming extinct with these new inheritors.

However, with the right vision, this disruption offers unprecedented potential. Frameworks that leverage AI-powered analytics and personas provide advisors with accurate insights to engage in relevant conversations and prescribe niche, tailored portfolios that reflect individual investor passions. Wealth managers who fail to develop precise investor personas through integrated data risk losing clients.

The path to this transformed future is not a straightforward undertaking. Yet, with the right partners specializing in such transitions, firms can embark on this journey with minimal disruption. Firms should focus on stakeholder alignment with new objectives, implement learning programs for existing staff, conduct integrated and stable technology roll-outs, and develop calibrated capabilities.

Successfully crossing this chasm unlocks substantially elevated value for customers and creates a sustainable competitive advantage. Leaders embracing this change will emerge from digital transformation efforts, realizing their full potential for enhancing relationships at scale.

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