CHALLENGES IN TOP 5 DIGITAL TRANSFORMATION CHALLENGES IN WEALTH MANAGEMENT
AND HOW TO OVERCOME THEM

Although the wealth management industry is in agreement on the importance of digital innovation, few organizations manage to achieve any business value from their transformation initiatives. This is because most wealth management firms pursue digital transformation as a feature selection exercise, implementing stop-gap solutions that address a pressing need to keep up with competitors or consumer trends. As a result, firms are left with digital capabilities that are basic, disconnected and insufficient to meet clients’ needs.

Faced with a changing market, intense competition and new technologies that are reshaping the industry, wealth management firms know all too well that long-term survival and success depend on how they respond to the digital wave.

Here are the top five digital transformation challenges faced by wealth management organizations, and how to overcome them:

1. RIDICULOUS LEGACY SYSTEMS

Arguably the biggest digital transformation challenge for wealth management is the technology itself. Most service providers are riddled with rigid legacy systems that are implemented decades ago to address particular problems rather than as a part of a holistic transformation. In many cases, firms build upon these core systems to support new consumer trends, such as mobile and social media, resulting in a struggle to update their mobile apps, or to integrate their smartphone, tablet and online banking experiences.

Overcoming the challenge
Electronic content services platforms can help modernize core systems to support compatibility with the latest technologies and third-party systems, according to Gartner’s World Forum-FIT 2018. Overhauling your entire enterprise infrastructure may seem like a gargantuan task, but if you break your key transformation project down to its smallest component, the best advice is to start small for immediate, measurable gains.

Focus on interoperability and cost-effectiveness, such as opting for a cloud-based solution to address data management needs while also improving security.

2. DISPARATE DATA SOURCES

These rigid legacy systems compound the problem of disparate data sources, as information is stored in separate silos that obstruct data movement. This prevents the 360-degree view of the customer required to provide the contextualized, personalized services that the market now demands.

When client data resides across multiple systems, filing cabinets and email inboxes, it can be cumbersome—and near impossible—to track down relevant information. And the problem is compounded when, for example, different systems pose a serious risk of non-compliance, especially if processes involving approvals are being conducted via email.

Overcoming the challenge
A single platform that integrates client acquisition, digital onboarding, regulatory compliance, relationship management and business intelligence would give wealth managers a 360-degree view of each client. This helps wealth managers realize greater efficiency by streamlining workflows while remaining secure and compliant.

3. BURDENSOME ADMINISTRATIVE TASKS

In addition to acquiring and serving clients, wealth and relationship managers typically take on burdensome administrative tasks such as account openings, transactions and payments. Client onboarding that relies on paper-based forms is an inconvenient and unpleasant chore, involving repetitive data entry and extensive paperwork.

Overcoming the challenge
Automation and digitization eliminate the need for manual intervention, significantly reducing the time spent on redundant tasks. Instead of relying on manual data entry, intelligent capture solutions can extract information from a document image, whether originally in an electronic format or a scanned paper document.

With a strategic workflow in place, these documents can be automatically routed to the relevant employee or approver, greatly reducing processing errors and time spent for not in good order (NIGO) or in good order (GO) review. Intelligent automation technology improves the administrative tasks that will little value, but also empowers managers to provide customers with faster, more accurate service.

4. RISK-averse CULTURE

Most organizations understand the need for digital innovation, but as mentioned, it’s vital to start with leaders and top executives. A risk-averse environment like wealth management may be unwilling to embrace change, and most wealth managers still view it as a function that merely supports their core business rather than a central business strategy.

The low levels of tech literacy across the industry—the only 25 percent of wealth managers currently offer digital channels beyond email—are in stark contrast to clients’ digital habits. Many relationship managers also dangerously overestimate their digital offerings, rating their business as “digitally advanced” in a survey by PwC, even when the only service offered to clients is a website.

Overcoming the challenge
The vision for digital innovation can’t just come from IT—it must come from the top. Docuset’s Wealth and Asset Management 2022 report highlights the perilous role of leaders to articulate a vision, create a roadmap, set expectations, and encourage collaboration and innovation, if the digital initiative is to have any chance of success.

Wealth management firms should also conduct ongoing tech literacy and digital business training for all levels of the organization.

5. PERCEIVED LACK OF CLIENT DEMAND

Slow client uptake is one of the largest factors hindering innovation. In a report by Thomson Reuters and Forbes, 50 percent of wealth managers said their firm’s ability to go digital and take advantage of new technologies is hampered by their tech-savvy clients.

Another study by McKinsey found that despite high expectations, robo-advisors — online platforms that use algorithms to offer financial advice — remain small players in the industry.

Overcoming the challenge
Clients’ demographics are set to change significantly. The next few years will see the largest generational transition of wealth in U.S. history as some 80 million Millennials come of age and bring their digital appetites with them.

Wealth management firms must take steps now to cater to changing expectations. Firms that are digitally advanced already report improvements in revenue productivity and market share, according to the World Wealth Report 2016. Additionally, despite the relatively small market share, clients of early adopters and robo-advisor report five to 10 times higher levels of satisfaction.

CONTENT SERVICES FOR WEALTH MANAGEMENT

A robust content services platform addresses many of the digital transformation challenges faced by wealth management firms, but as mentioned, it’s vital to use content digitization as a holistic initiative rather than a stop-gap solution. To ensure success, address these challenges, digitized the whole, not just the parts, of digital transformation challenges in wealth management.}

To learn more about how content services platforms can help address these challenges, download the ebook on TOP 5 DIGITAL TRANSFORMATION CHALLENGES IN WEALTH MANAGEMENT (AND HOW TO OVERCOME THEM). ©2019 Hyland Software, Inc. and its affiliates. All rights reserved.