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A network diagram consisting of several interconnected nodes of varying sizes and colors (orange, red, and dark red) connected by thin grey lines. The nodes are scattered across the upper left and center of the page.

Digital Transformation Reaches Wealth Management:

What's the Impact to You?



When digital transformation arrived in the world of commerce, the wealth management business model remained resilient.



Wealth management is a business model built on personal relationships and trust, so firms seemed impervious to the early disruptors. However, as clients increasingly embrace the digital world and embed it into their daily lives through social media, shopping, travel and e-commerce, expectations for a digital relationship with wealth management firms are evolving.

Clients are starting to question the current client engagement model in wealth management, asking for greater flexibility and convenience. In short, they are looking for the same client experience they enjoy elsewhere. FinTech disruptors have taken notice and are making in-roads in the industry, capturing the attention of the wealth management incumbents. Firms are also being challenged internally to look for ways to increase productivity in a changing workforce in the midst of shrinking profits. Digital transformation offers the promise of solving both issues.



The current situation in wealth management

In keeping with their primary focus of personal relationships and human interaction, firms rely on client engagement models that are supported by many individuals and manual processes. From the investment advisor who handles the initial discovery and planning processes, to the middle and back office staff who open the accounts and handle the money movement and transfers to implement the client's investment plan, the wealth management life cycle is handled by various individuals at the firm and is prone to error.

The client sees a smooth process with easy handoffs of activities within the firm, but in reality, it is a series of processes rife with inefficiencies. A patchwork of technology, manual processes, and paper-based instructions complicate the work, and with data typically isolated within each stage of the client engagement model, there is the constant risk of incorrect information.

All of this results in an experience that is difficult to manage and scale. Client-facing employees end up creating workarounds and establishing additional structures within their processes to deliver the high-value experience their clients expect. Clients feel like they are getting good value for their money, but employees struggle to see the value in their work because of the inefficiencies they experience every day.

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Why wealth management faces pressure to transform

After remaining true to their traditional client experience approach, wealth management firms are now under pressure to evolve due to changing client perceptions and expectations. Firms are searching for ways to revamp their processes and systems to increase employee efficiency; offer the experience today's clients expect; and avoid losing clients and employees to firms that are making (or have made) the move towards digital.

Key drivers to digital transformation for wealth management firms today



Conflicting fee and cost pressures

Increased transparency with respect to fees and compensation puts downward pressure on fees, while the onslaught of regulatory requirements drives up costs in the traditional wealth business model.



Client dependency on technology

The world is becoming digital-first with more interactive content that is accessible anywhere, anytime. Clients now enjoy real-time and curated content that caters directly to them.



Competitors that deliver a better customer experience

Robo-advisors have de-mystified the investment selection process and offer digital journeys that match the expectations of today's clients, something that many traditional wealth firms are not doing well.



Transformed client expectations

Client interactions with other digital platforms across their personal lives has led to higher expectations. They now expect their investment firm to service them on their terms, with a simplified approach that is personalized and relevant to why they invested.

A simple technology upgrade is not enough to meet these challenges and deliver on client expectations. A change in culture is needed throughout the organization to successfully transform to a digitally enabled business model.



Areas where wealth managers should consider transforming

Successful digital transformation is an enterprise-wide endeavor, not a discrete project, and affects the entire organization. While all business areas are impacted, these key areas should top the transformation agenda:

▶ Culture:

Thinking digital-first requires a change in mindset. The key action here is communicating from the top the value of this new mindset across the organization, as well as the risks and costs of sticking to the status quo.

▶ Value propositions:

Clients increasingly value simple, relevant, and more holistic wealth management rather than investment management alone. Wealth managers need to be explicit and confident about the value of their products and services and have the capacity to deliver an expanded value proposition to their clients.

▶ Client experience:

Streamlining and digitalizing the client journey with greater self-serve capabilities and interactive client portals will not only meet clients' growing expectations but also free up capacity for advisors and drive down middle and back office costs.

▶ Model optimization:

Incorporating technology, like intelligent automation wherever possible, allows firms to quickly reduce costs and free up resource capacity for higher value work.



Five obstacles wealth firms face in transforming digitally

Digital transformation is not a one-size-fits-all proposition for wealth management firms since each firm has a unique value proposition. A firm's size and complexity present different challenges to transformation, leading to confusion as to where to start. Firms understand that digital transformation is critical to their evolution; however, they may face any number of transformation challenges, including any of the following.



Obstacle #1 – Strategy

With the quickening pace of change in technology today, the first instinct is to do something to keep up. However, without a strategic plan, firms tend to throw tactical solutions at symptoms, rather than properly plan to address the root cause.

Our Recommendation

Fully define a target business model, identify a strategy to reach that target, and be open to changing your tactics along the way.



Obstacle #2 – Culture

For wealth firms to experience success with their digital transformation initiatives, the entire organization should embrace a digital-first culture. Otherwise, they will end up with pockets of change and acceptance, leading to slow and choppy progress.

Our Recommendation

Document a digital change strategy, communicate the value of the change from the top, and articulate a well-defined implementation plan for the entire firm. This will help set expectations at every level of the organization and aid in the evangelization needed throughout to make it a success.



Obstacle #3 – Legacy infrastructure

One of the most significant obstacles wealth firms face is integrating legacy infrastructure with new digital transformation technologies and processes. This can sometimes increase implementation costs, leading to questions surrounding the value of the transformation for the firm.

Our Recommendation

Before starting a transformation journey, understand the costs of your current state and future operating model, along with the investment costs for transformation. Communicating all of this information before and throughout the transformation process is critical. Delivering small increments of value also will help your organization understand the overall value of digital transformation.



Obstacle #4 – Non-standard data

Most wealth firms face the challenges of a decentralized data storage solution, including the storage of different data with different data structures, the duplication of data, and the use of unstructured and non-standard data. Data integration and usage is nearly impossible, leading to significant process inefficiency, workarounds, and increases in overall business costs for employees and the business.

Our Recommendation

Undertake a comprehensive data strategy to realize the efficiency and resource gains from a digital transformation. The strategy should include standardizing data practices throughout the organization and strengthening the governance and accuracy of the data in order to leverage the power of analytics, machine learning, and artificial intelligence to fully activate the business model in a proactive and predictive way.



Obstacle #5 – Manual processes and ad hoc workarounds

Manual processes and ad hoc workarounds are symptoms of the limitations in technology, automation, or processes many wealth management firms have grown up with. Firms see these inefficiencies as the cost of doing business in the traditional way. However, to obtain the high-value experience clients demand and expect, they have become hurdles that must be addressed in the digital transformation process.

Our Recommendation

Fully map out your current processes, including any manual processes or ad hoc workarounds that exist, as part of your digital transformation journey. Also note and resolve any gaps that may exist in your current state before moving to the new business model. It should be communicated throughout that some manual processes will remain manual, while others may fall under the intelligent automation aspect of the transformation.

Every wealth management digital transformation experience is unique, with more than just these five obstacles standing in the way. Having a strong, independent, and experienced business and technology partner can help accelerate the assessment and planning process, ensuring you achieve the right outcomes at all levels of your organization.

The value of digital transformation in wealth is clear

Digital transformation is a complex process that requires the buy-in and effort of all levels of a wealth management organization.

Done right, it can lead to significant gains throughout the entire organization, such as:



A leading, innovative culture resulting in retention and attraction of top talent.

A streamlined set of business models that can scale.

An enhanced and personalized client experience that meets and surpasses their expectations.

An opportunity to drive higher and broader revenue streams for the firm overall.



Head Office

Toronto–Yonge Street

CGI Group Inc.
250 Yonge Street
Suite 2000
Toronto ON M5B 2L7
Canada
Website: cgi.com
E-mail: info@cgi.com
Twitter: @CGI_Global

Get the help and guidance you need to make a successful transformation

CGI helps wealth management firms navigate the complexities of digital transformation and reach their destination. We offer extensive industry knowledge and experience, combined with specialized practices within the following areas relevant to digital transformation for wealth management firms:



Emerging technologies
(agile, DevOps, and intelligent automation)



Product and services
(portfolio management, digital advisor, fund management, and operations services)



Business consulting
(strategy, business model assessment, and change management)



Delivery

Our capabilities enable us to help our wealth clients set the right strategy, build an integrated roadmap, and implement it successfully. We look forward to working with you.

35+ years
of experience

1300+
wealth professionals

\$1.5 T
in supported AUM

CGI **Wealth360** is a comprehensive suite of solutions that help wealth management professionals anticipate change, offer creative options and increase efficiencies as they manage their clients' investments.

From front-office sales tools to middle-office decision-making and back office administration, **CGI Wealth360 delivers industry-leading, end-to-end wealth management solutions.**

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