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INTRODUCTION

The Accenture – Orbium Wealth Management C-Level Survey 2020 comes at a time of great industry turmoil. We expect the seismic shifts, already apparent in 2019, will be accelerated by the COVID-19 pandemic. The pressure is on for management firms to fundamentally rethink every part of their business, from hiring to technology, to the mix of assets they manage. The stakes are high. Those who rise to the challenge have a chance to not only survive but thrive.

There is no doubt that the COVID-19 pandemic has rocked the financial world, but it shouldn’t hide the fact that some challenges in the wealth management industry have been brewing for years. The longest bull market in history has surely helped grow Assets Under Management (AUM), but that growth has sometimes come at the expense of client outcomes. Shareholders, regulators and clients have been clamouring for firms to deliver higher value at lower costs and that pressure won’t relent any time soon. Meanwhile, we’re about to see one of the largest intergenerational transfers of wealth ever which could further reshape the wealth management landscape beyond recognition.

Given the level of disruption the industry is facing today, it is surprising that our survey shows that 78% of wealth managers in Europe and Asia are conservative and believe their current business models will survive past 2025.

While change is always hard, guarding against complacency will be important and there are concrete steps that wealth managers could (and should) take now to help better prepare themselves to offer value to their current and future clients. When it comes to technological changes, the old excuses around face to face advice will no longer wash. Firms can strategically use technology to enable remote interaction service models with advisors and can deploy artificial intelligence to drive down the costs of customer acquisition and provide timely research and recommendations. Cloud technology can replace aging in-house infrastructure and firms can leverage shared services to reduce middle office costs. Adopting advanced security could enable privacy, security and meet compliance concerns.

The one-size-fits all investing model also needs an overhaul to meet the needs of more demanding clients. Young, socially active clients demand more environmental, risk and outcome accountability in their investments, and they also crave personalised advice that goes beyond mimicking the returns generated by benchmark stock and bond indexes.

Firms also need to invest more in attracting and retaining the right talent to better serve clients and help create new products and solutions. In some cases, that would mean firms taking a hard look at their corporate cultures and finding ways to be more attractive to up-and-coming financial advisors and investment professionals.

Accenture and Orbium are pleased to introduce the findings of our latest survey which goes much deeper into examining these trends. The survey was conducted before the current pandemic began, it is based on conversations with industry leaders and supplemented with our own analysis and insights. We believe it delivers a practical framework for helping industry players build their portfolio of change initiatives to survive and thrive to 2025 and beyond. The time to act is now.

We trust you will find this report insightful and we look forward to continuing the conversation on the findings. We also want to thank all the participating executives for their valuable contributions, insights and time.

Michael Spellacy
Senior Managing Director
Global Capital Markets Industry Lead, Accenture

Ian Woodhouse
Head of Strategy and Change
Orbium, Part of Accenture Wealth Management
EXECUTIVE SUMMARY

Our last survey found that the industry had already moved through several distinct periods of evolution and was on the cusp of entering the new era 4.0. But participants were unsure how rapid and extensive that evolution would be. Our current survey makes it clear that change is coming fast and will be extensive.

Shift to a new era of increased uncertainty and volatility


1.0 Established traditional models
2.0 Regulatory-driven transparency
3.0 Restructuring, repositioning and early new models
4.0 Impact of new megatrends and continuing uncertainty in the industry

Source: Accenture – Orbium Wealth Management C-Level Survey 2020

Responses from this year’s participants—mostly C-Level Wealth Management (WM) executives from firms in Europe and Asia—paint a fascinating picture of their challenges and priorities, allowing us to identify early adopters and innovative strategies that are already delivering results. As such, they offer essential insights into how individual players and the sector as a whole are adapting to the new demands and societal changes of the 21st century. Astonishingly, they also reveal a sometimes-disturbing paradox of bullish sentiment in the face of what may become existential threats.

Participants identified seismic shifts that will create a much tougher environment. While the survey was conducted just before the COVID-19 pandemic disrupted global markets and economies, WMs in Europe and Asia were already pessimistic about the future of financial markets, with 70% expecting the economic outlook to deteriorate and 55% expecting volatility to increase over the near-term.

Cost of delivery also continues to remain problematic for the industry. Participants report cost income ratios of between 40% and 115% with an average of 70%. This highlights the need for the industry to work simultaneously on finding and growing profitable revenue sources and on tackling its cost problem. If left unaddressed, these threats will make it very difficult to maintain revenues and profits, accelerating consolidation within the industry. But while many see clouds ahead, surprisingly the majority of participants remain optimistic about the untapped WM market opportunity in the short and long term. Indeed, it is clear that to deliver future value, firms will need to take a much broader view of the market beyond their traditional playground.

The prize for doing so is significant, with about $260tn of holistic personal wealth, including non-bankable assets, at play. These non-bankable assets could include private assets—such as direct equity, residential and commercial real estate, family businesses, art and passion assets—as well as non-investable assets like life insurance and pensions. These asset types together represent growth opportunities of $78tn and $68tn, respectively. Those that can shift from being reactive to proactive and dynamic should be well-positioned to capture the wider growth opportunities and client potential and a share of this $260tn. Capitalising on these opportunities in terms of returns may be challenging. Currently on the revenue side from investable assets, gross return on assets (GROA) shows a wide disparity ranging from 45bps to 136bps with a current industry average of 82bps. Given the significant range gap, survey participants are seeking both wider opportunities and clients to pay for improved value delivery.

To capture profitable revenue, it will be necessary to better understand and capitalise on evolving client behaviours, values and needs. These will be influenced by thirteen megatrends, six of which were identified as being key by participants. Together they will shape further opportunities to enable the industry to evolve and provide new offerings for the next generation of clients.
Industry faces three fundamental changes

1. **Addressing wealth succession outflows**: WMs surveyed expect to lose on average one-third (32%) of their clients’ wealth at the point of succession. This outflow is estimated to be $40tn in investable assets over the next 30 years, or $1.5tn per annum (p.a.).

2. **Raising the bar on talent**: WMs understand that they need to invest more in attracting and retaining the right talent and change the culture to better serve clients, with a majority of respondents citing talent as a top-three investment priority over the next five years.

3. **Overcoming business model change inertia**: nearly four in five wealth managers (78%) in Europe and Asia don’t plan significant changes to their traditional business models. While many wealth executives understand that successfully addressing industry challenges would require new business models, they hesitate to move forward with bold strategies for business model transformation that capitalise on emerging technologies.

Source: Accenture – Orbium Wealth Management C-Level Survey 2020

But these are not the only pressures. What is clear is that all WMs face strategic challenges to their business models as they head into this new decade. At the same time and in addition to the megatrends, participants also identified the above three fundamental industry changes that require a response.

Against this hostile backdrop, we asked WMs about their business, operation and technology models today and for 2025. Participants identified four areas across the business, operations and technology where they plan to focus to achieve future success. These four areas are: responsible leadership and strategy, differentiated client experience, intelligent operations and technology, and empowered talent and change.

Responsible leadership and strategy will require serving multiple generations of investors who are looking for tailored, digital services that align with their social and personal values, including impact investing and environmental, social and corporate governance (known as “ESG”). Engaging in multi-firm ecosystems, platforms and partnerships could help, but to be effective, firms need to first address their inflexible business models and talent and capabilities gaps.

Delivering differentiated client experience needs to be underpinned by changes to traditional segmentation. Just 17% of participants expect the traditional approach to client segmentation—such as by age, region and investable assets—to still play an important role five years from now. At the same time, the market will likely evolve toward a “segment of one” to reflect the individuality of clients’ wants and needs.

This level of client engagement will require significant investments in intelligent operations and technology around data and analytics so that wealth managers could restructure their business models to enable advisors to deliver personalised advice at scale.

WMs understand that they should invest more in attracting and retaining the right talent to better serve clients and offer new products. Whether firms have the appropriate cultures to do so is uncertain, as two in five respondents (40%) said that they have difficulty adopting a strong culture for change and embracing new ways of working.

Participants predict that with a clear path to focus on these four areas, they could achieve their potential. With a balanced portfolio of actions and change initiatives they expect to potentially increase revenue growth by up to 30% and reduce costs by up to 25% over a multi-year programme, helping them to survive and thrive.

The future should be bright for those who can successfully transform by designing a roadmap to deliver their future ambitions, co-creating and delivering at scale and pace.
SURVIVE AND THRIVE TO 2025

70% Avg CIR
WMs face cost and revenue pressures

$1.5tn p.a.
of assets leave firms following succession

78%
need to address business model inertia

6 key megatrends
WILL DRIVE BUSINESS CHANGE

These are affecting client needs, business models and the way in which firms are led

WEALTH MANAGEMENT IS NOW A
$260tn OPPORTUNITY

Non-bankable assets increase holistic personal wealth by 30%

2025 BUSINESS MODELS

- Empower advisors to provide personalised advice

- Adopt the right metrics and work in ecosystems and partnerships

- Differentiated client experience

- Intelligent operations and technology

- Responsible leadership and strategy

- Empowered talent and change

- Adopt intelligent data, enhanced processes and security

- Develop talent and culture for sustainable advantage

+30%
total revenue growth

-25%
total cost reduction

expected if multi-year change transformation programmes are achieved

How to thrive

1
Discover and design future value ambitions

2
Co-create, innovate and accelerate with partners

3
Launch and scale for sustainable success

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
SURVEY FINDINGS

I. Industry in turmoil and facing universal strategic challenges
In an era of immense pressure, we asked the C-Suite in Europe and Asia about their businesses today and, more importantly, how they see the evolution to 2025. In this report, we share original and valuable insights into what these industry insiders think and how they see their businesses transforming.

Even before the COVID-19 outbreak, WMs expected to see the economic environment further deteriorate. Participants perceived that achieving success in 2019 would be challenging enough but were not prepared for the 2020 shocks and a future investment world in which traditional products and solutions are less relevant. In terms of the overall industry, the majority of participants tell us they expect less economic stability and greater volatility.

**Deteriorating economic outlook**

- **55%** see less stability and more shocks and volatility
- **15%** see increasing fluctuations with frequent shocks and volatility
- **30%** see relative stability with some periodic shocks and volatility

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Significant cost pressures continue

Cost of delivery continues to remain problematic for the industry with participants reporting cost income ratios of between 40% and 115% with an average of 70%. This highlights the need for the industry to work simultaneously on finding and growing profitable revenues and tackling its cost problem. If left unaddressed these threats might make it very difficult to maintain revenues and profits, accelerating consolidation within the industry.

Growth pressures continue

Participants still see opportunities despite the short-term mounting pressures. The vast majority (88%) expect to grow their Net New Money (NNM); with just 12% expecting it to stay and none expecting it to fall by 2025. This view will surely have changed given recent events and the subsequent global economic turmoil. On average, the NNM expected by participants for 2019 is nearly 7%, with a wide range observed between high and low performers. Optimism of the high performers could stem from a historic view of traditional bull markets, or it could be that they retain a high proportion of intergenerational assets and/or are able to capture new wealth and new markets.

When it comes to GROA², survey participants show a wide disparity ranging from 35bps to 136bps, with a current industry average of 82bps. Given the significant range gap, participants clearly see opportunities for clients to pay for improved value delivery.

However, sentiment cools for the sector as a whole, even if participants remain much more bullish about their own prospects. For the industry, 71% see a fall of more than two basis points in GROA. Yet for their own firms, just 43% believe the fall will be as big. Conversely, 30% believe GROA will increase for their organisation, against 13% across the industry. In other words, all believe they will outperform the industry.

"To grow assets, we are able to leverage the wealth continuum as clients create wealth and move up from premium retail to private banking."

COO participant – Asia

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Participants expecting improvements in NNM by 2025

- For the industry: 68%
- For own firm: 88%

Participants expecting improvements in GROA by 2025

- For the industry: 13%
- For own firm: 30%

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Megatrends reshaping client expectations and values

Industry growth and profitability are being substantially affected by the global megatrends shaping the way individuals and industries conduct their lives and business. Some of these are continuations of previous trends while others are new, bringing a heightened degree of uncertainty about the future. They are reflected in diverse ways: through our society and behaviours, global economies and politics and, of course, technology. These are already having a direct impact on WMs, driving new opportunities for differentiated client servicing.

Megatrends are expected to have a progressive yet significant impact on the WM industry of 2025. Of the thirteen megatrends presented in the survey, participants highlighted six that they expect to have the most impact on making their businesses more dynamic and delivering higher client value going forward.

Megatrends will drive the evolution of holistic personal wealth needs

The evolution of new technologies such as artificial intelligence, automation and analytics could help advisors to make better, faster decisions for clients. To cater to growing ecological and environmental concerns, 22% of participants say they already offer products and services around ESG and impact investing. The trend towards hyper-personalisation could be delivered through technology facilitating advisors to serve multiple segments more profitably and allow offerings to extend to private and non-bankable assets. Value generation will significantly shift to the front office through hybrid advice models. This would allow seamless delivery through advisors enabled by technology to profitably augment and scale the traditional front office advice models. The increasing shift to personalisation and advice will trigger the paradox of personal data with firms needing to deliver stringent and advanced security and data measures to protect privacy and retain trust. Finally, the rise of multi-firm ecosystems, platforms and partnerships will provide further opportunities but WMs would need to address their inflexible business models and gaps in talent and capabilities.

<table>
<thead>
<tr>
<th>TOP SIX KEY INDUSTRY MEGATRENDS</th>
<th>OTHER KEY INDUSTRY MEGATRENDS</th>
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</thead>
<tbody>
<tr>
<td>Emergence of new technologies</td>
<td>Shift in values</td>
</tr>
<tr>
<td>Ecological and environment concerns</td>
<td>Rise of multi-generational, individualised society</td>
</tr>
<tr>
<td>Trend towards hyper-personalisation</td>
<td>Growing importance of human-machine interaction</td>
</tr>
<tr>
<td>Shift from support to value generation enabled through technology</td>
<td>Evolving pricing models</td>
</tr>
<tr>
<td>Paradox of personal data</td>
<td>Rise of new collaboration models</td>
</tr>
<tr>
<td>Rise of platform ecosystems</td>
<td>Erosion of trust in institutions and governments</td>
</tr>
<tr>
<td>Moving towards new participation and sharing models</td>
<td>Source: Accenture – Orbium Wealth Management C-Level Survey 2020</td>
</tr>
</tbody>
</table>
New technology and environmental concerns drive impact to 2025

Emergence of new technologies
Ecological and environmental concerns
Trend towards hyper-personalisation
Shift from support to value generation enabled through technology
Paradox of personal data
Rise of platform ecosystems

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Holistic personal wealth reshaping industry boundaries

We believe that megatrends lead to an enormous opportunity for WMs to expand their business models to capture untapped potential within the industry. The size of the global financial wealth opportunity has been estimated to be around $118tn in investable assets, growing (pre COVID-19) at approximately 6% a year. These investable assets include equities, fixed income and cash deposits. Adjacent wealth opportunities in the form of non-investable and non-bankable assets are large and continue to grow. By including non-investable assets such as life insurance and pensions, the wealth opportunity swells by a further $64tn. Non-bankable assets of real estate, own businesses, art and passion assets increase this total further by $78tn.

Historically, these non-bankable assets have significantly exceeded equity market growth. More than 80% of family businesses will change hands over the coming decade, putting trillions of dollars of additional wealth in motion.

Extracting value and managing these assets as part of a client’s holistic wealth is an opportunity for the whole industry but is currently only being addressed by a rare few.

Put starkly, the percentage of non-bankable assets ($78tn) to total holistic personal wealth ($260tn) is an impressive 30%—and represents a golden opportunity for growth. And there’s more good news. Further significant growth is expected to originate from the global expansion of the affluent middle classes, women with wealth and the wealth created by entrepreneurs and business ownership.

While all this presents enormous long-term structural opportunities for the industry, there is a big challenge. WMs will need to simultaneously manage short-term cyclical market events while also positioning themselves for structural long-term shifts to earn future revenues from existing and new clients.

<table>
<thead>
<tr>
<th>Type of wealth</th>
<th>Description</th>
<th>Estimated global value</th>
<th>% of total wealth</th>
<th>Associated business models</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investable assets</td>
<td>Equities, bonds, investment funds, cash deposits</td>
<td>~ $118tn</td>
<td>45%</td>
<td>Traditional wealth managers and external asset managers</td>
</tr>
<tr>
<td>Non-investable assets</td>
<td>Life insurance and pensions</td>
<td>~ $64tn</td>
<td>25%</td>
<td>Life and pension companies, private and universal banks</td>
</tr>
<tr>
<td>Non-bankable assets</td>
<td>Real estate, own businesses, art, passion assets</td>
<td>~ $78tn</td>
<td>30%</td>
<td>Specialist firms and markets (such as auctioneers and real estate agents)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>~ $260tn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Numbers are Accenture Research estimates based on publicly available data
Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Spotlight on non-bankable assets

Non-bankable assets (NBAs) are a significant and important part of an individual’s total wealth. For the ultra-high net worth (UHNW >$30m) globally, more than 50% of all assets are non-bankable—that’s about $30tn.¹ Beyond UHNWs, NBAs are a vital component of wealth. Of the UK’s total individual wealth of £14tn, 45% is in NBAs of which 33% is in property and 12% in other physical wealth.²

NBAs are often tangible assets that have emotional or social value. Examples include art and passion assets as well as direct equity, residential and commercial real estate and family businesses. Their value is often defined by scarcity, desirability or history and may not be immediately accessible. Value appreciation in passion investments has consistently outperformed the global equity markets over the past 15 years, growing two-thirds faster than the MSCI World Index over that period.

It has been difficult in the past to exploit the embedded value of non-bankable assets outside their traditional markets, with their role in financial markets limited to collateral. The lack of consistent documentation, transparency and liquidity have all tempered the interest of financial firms to include them as portfolio assets. However, distributed ledger technologies and tokenisation could allow for the value of these assets to be readily traded, making them more compelling to clients and the industry. Combining financial assets and NBAs provides a complete view of an individual’s wealth, enabling clients to benefit from holistic advice.

This is key as NBAs improve portfolio diversification through their low correlation to financial asset classes. Tokenisation could enable fractional ownership thus creating liquidity and an efficient, transparent and more secure market for NBAs. Currently, there’s an estimated $1tn in blockchain-tokenised assets (100% financial instruments). This is expected to grow to $24tn (10% of global GDP) by 2025-2027 with nearly 30% in NBAs.³

¹ Source: Knight Frank Wealth Report 2019 – Data for 200k global UHNW
² Source: UK Office for National Statistics
³ Source: WEF Survey
Substantial strategic challenges to resolve

What is clear is that all WMs face strategic challenges to their business models as they head into this decade. At the same time and in addition to the megatrends, participants also identified three fundamental industry changes that require a response:

1. **Addressing wealth succession outflows:** as the core segments of ageing boomers and the silent generation transfer their wealth, substantial assets move into motion that may not stay. In addition to generational change new sources of wealth are growing. This places pressures on WMs to deliver higher value to both retain and gain new clients.

2. **Raising the bar on talent:** to deliver greater value to clients, the skills of WMs and their people will need to significantly shift to match the sophistication and diversity of the evolving client base. Never has the combination of the right approach to internal and external organisation, talent and culture been as important as today. This will further reinforce the need to work in multi-firm ecosystems, platforms and partnerships.

3. **Overcoming business model change inertia:** future business models must be adapted and redesigned to be more dynamic and client-value orientated to overcome inertia and ensure the right response to the emerging megatrends.

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**Spotlight on Asia and Europe: key differences and similarities**

A look at where Asia and European markets are converging may offer a glimpse of future success.

**Growth**

Expansion to Asia is on the agenda of many key global WMs as they seek to capture the region’s higher growth potential, which at 8-10% a year in most countries is more than double that of Europe.

**Client profile**

Asia is more geared towards entrepreneurs, ultra-high net worth and affluent professionals, whereas wealth is predominantly first and second generation. However, more second and third generations are starting to inherit money.

Europe has more diverse client segments and is orientated to generations of established wealth. In both regions, clients favour well-regulated jurisdictions, reputed advisors and transparent structures.

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**Offering**

Clients everywhere are moving away from brokerage and trading towards more advisory-based services and new asset classes. Leveraged lending remains a steady offering while philanthropy and social-impact investing are gaining ground in Asia, although these are not as mature as in Europe.

**Regulation**

Regulations are converging with client suitability, Know Your Customer and anti-money laundering all being strengthened across both regions. Asian regulators are issuing digital-only banking licences for partnerships with non-financial firms, including in Singapore, Hong Kong and Malaysia.

**Competition and business models**

Disruption is happening faster in Asia, where cross-industry alliances and joint ventures are creating more new offerings. Digital service models are more prevalent in Asia as clients tend to be more digitally savvy than in Europe. The region is also starting to see competition from insurers, external asset managers and family offices—a trend fairly well established in Europe.

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1. Source: Credit Suisse Asia Pacific Private Banking Investor Relation report September 2019
2. Source: Accenture’s Competing with Banking Ecosystems
Addressing wealth succession outflows

$1.5tn p.a. of assets leave firms following succession

The importance of stemming intergenerational wealth outflow and capturing new wealth opportunities will become more acute as trillions of dollars fall into motion in the next few years. Retention of client wealth during generational transfer varies considerably across WMs and, for many, transfers between generations has become a huge risk.

Leading firms report that they expect to retain 87% of their clients’ assets during succession; their weaker peers expect to retain less than half that. On average 32% in AUM are lost during succession—equating to close to a $40tn investable asset opportunity—across a 30-year generational span. Indeed, this translates as a staggering $1tn to $1.5tn of assets that could be retained in any given year.

32% of assets are lost during succession

This outflow of wealth can be explained, in part, by the increasing role that evolving social and personal values now play in a client’s decision about to whom they will entrust their wealth. Where once a family might have used the same wealth advisor for generations, today when money is inherited by the next generation, loyalty can no longer be guaranteed nor are decisions only about returns.

Our survey sets out a myriad of reasons for these outflows, but they all come back to a fundamental failure to meet changing client demands in an era of huge social flux. For the increasingly socially and ethically aware investor, WMs must provide services more attuned with their values. Additionally, where the industry was traditionally geared to serve male clients, today more women are creating and holding their own wealth. Both trends underline the need to have a more balanced and diversified workforce.

Clients expect both performance and services relevant to their specific needs and values. WMs must ensure that all clients, including entrepreneurs and affluent clients, receive the right targeted offering of products and services offering higher value and delivered via multiple channels to fit with a modern lifestyle. Such offerings could now include remote meetings with relationship managers, online investment management, seamless sign-on processes, proactive advice including philanthropy, socially responsible investing (SRI), environmental, social and governance products and more.

In Asia, we are now seeing succession transfer from first to second and third generation and the rise of family offices.

COO participant – Asia
Closely aligned to the first challenge, the second centres on overcoming an outdated culture and failing to attract the right skills and talent across WMIs from top to bottom. Failure to change could be an insurmountable barrier to taking full advantage of new ways of collaborating, including working in multi-firm ecosystems, platforms and partnerships. These are required to realise the benefits of new technologies that promise to bring down costs, help increase productivity and revenues and allow firms to better understand—and therefore serve—their existing and new clients.

WMIs already know that they must continue to invest more in attracting and retaining the right talent, with a majority citing it as a top-three investment strategic priority in both 2019 and 2025.

However, more than half think they can do more to attract talent across the wider organisation. In the front office, enhanced advisor skills should match the evolving needs of a more digitally savvy and socially aware next generation of clients. Enhancing service models and delivery excellence requires a different culture and data analytic skills in order to adopt a segment-of-one approach.

In the product and solutions area, new skills are required to meet changing client demands for ESG products, socially responsible impact investing and a wider range of asset classes. Add in the need to successfully collaborate with third parties, as well as the subsequent introduction of new ways of working from the top down, and it becomes clear how far the culture of WMIs, who have been self-sufficient in the past, needs to change.

With all that in mind, worryingly 40% of participants admit that a strong culture for change and the ability to embrace new ways of working are currently a challenge.
Participants have differing levels of confidence in their current business models and in their attitude to future transformation and innovation. Today, 78% are not considering wholesale changes to their business model despite the new dynamics of the sector. The remaining 22% have a lower degree of confidence in the survival of their current business model and have identified the need for a complete overhaul to succeed past 2025.

There are subtle distinctions among participants in how innovative their approach is to changing their business model, indicating an overall gap between ambition and confidence to execute. It appears that while they recognise the need for innovative change, around 60% of participants—both those confident in their current model and those that are not—have a more conservative approach to addressing change.

Overcoming business model change inertia

78% need to address business model inertia

Upon further analysis, we have identified and defined four distinct groups of WMs: Optimisers, Futurists, Realists and Experimenters. The Optimisers and Futurists exhibit a high degree of confidence in their existing business models and in their transformation approach towards innovation. Their less confident peers, the Realists and Experimenters, have identified the need for wholesale change to their business models but vary in their approach to innovative change.

Each approach has its own risks and benefits. For example, overconfidence among Futurists means they might miss the opportunity right in front of them. Realists do not acknowledge that they are falling behind the speed of change in their response to megatrends and industry challenges. For individual firms there is no one-size-fits-all path to change. Each is unique, has a different starting point in terms of confidence in its existing business model, recent history in managing change and a preference for a more traditional or innovative approach to change.

What is clear from participants is that the path they take will require trade-offs in their transformation journeys and portfolio of investments to balance current and future needs, execution risk and the requirement to differentiate and remain competitive in the market.

Ambition versus confidence to change

<table>
<thead>
<tr>
<th>High confidence</th>
<th>Low confidence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimisers</td>
<td>Experimenters</td>
</tr>
<tr>
<td>Futurists</td>
<td>Realists</td>
</tr>
<tr>
<td>78%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
As we have seen, participants identify key industry megatrends and three fundamental challenges to their businesses. Given this knowledge, a framework to address business model changes is needed.

**Framework for business model change**

Participants acknowledge that these megatrends should inform their strategy, in some cases even their purpose, and ultimately reshape whole areas of their business to give the best chance of future success. It is expected that business models will need to be significantly transformed to deliver differentiated client experience, future ready operations and technology with responsible leadership and strategy as well as enhanced talent and change.

WMs’ responses reveal they may not be well-positioned to meet challenges and capture new opportunities further into the future. Industry trends suggest we may be moving into an era of greater uncertainty and volatility, accelerated by COVID-19, where traditional assumptions about the fundamentals of running a business are less or no longer relevant.

We used our business response framework to assess the likely future impact of the megatrends on key areas of a WM business. This allows us to deliver a comprehensive analysis of where multiple forces and megatrends will affect them.

**Business response framework**

<table>
<thead>
<tr>
<th>Differentiated client experience</th>
<th>Intelligent operations and technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible leadership and strategy</td>
<td></td>
</tr>
<tr>
<td>Empowered talent and change</td>
<td></td>
</tr>
</tbody>
</table>
MEGATRENDS RESHAPING CLIENT EXPECTATIONS AND VALUES IMPACT FUTURE BUSINESS MODELS

1. Emergence of new technologies
2. Ecological and environmental concerns
3. Trend towards hyper-personalisation
4. Shift from support to value generation enabled through technology
5. Paradox of personal data
6. Rise of platform ecosystems

TOP SIX KEY INDUSTRY MEGATRENDS

MORE IMPORTANT

BUSINESS RESPONSE FRAMEWORK

<table>
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<tr>
<th></th>
<th>Differentiated client experience</th>
<th>Intelligent operations and technology</th>
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<tr>
<td>Shift in values</td>
<td>Empowered talent and change</td>
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OTHER KEY INDUSTRY MEGATRENDS

7. Evolution of new technologies
8. Rise of multi-generational, individualised society
9. Growing importance of human-machine interaction
10. Evolving pricing models
11. Rise of new collaboration models
12. Erosion of trust in institutions and governments
13. Moving towards new participation and sharing models

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
### BEHAVIOURAL TRENDS

**Moving towards new participation and sharing models**
Engage in the sharing and circular economy by lowering entry barriers for clients and shifting attention towards resolving social inequality, and handling wealth with responsibility.

**Ecological and environmental concerns**
Act as a responsible corporate citizen towards climate change by advocating sustainable business practices and embracing net positive strategies.

**Rise of multi-generational, individualised society**
Serve new sources of wealth by tapping into ageing population, urbanisation and adapting to the shifts of power and wealth across generations and a rising global middle class.

**Erosion of trust in institutions and governments**
Counter with distributed trust across the ecosystem by providing greater digital transparency, access to direct exchange models and by achieving brand trust through shared values.

**Paradox of personal data**
Balance privacy with security needs to capitalise on global connectivity and deliver value while managing risks.

**Rise of new collaboration models**
Innovate business governance by adopting new ways of working and collaboration including peer-to-peer networks.

**Shift in values**
Adapt to the impact of ethical and social awareness, health goals and holistic mindset on individual decision making.

### TECHNOLOGICAL ADVANCES

**Rise of platform ecosystems**
Integrate internal and external partners and centres of excellence seamlessly to achieve scale across Business & Technology.

**Shift from support to value generation enabled through technology**
Amplify and enable communication, collaboration, interaction, exchange and connectivity.

**Emergence of new technologies**
Use the right mix of new and traditional technologies such as AI and machine learning for advantage.

**Growing importance of human-machine interaction**
Enable engagement through the optimum balance of human and technology collaboration.

### SOURCE
Accenture – Orbium Wealth Management C-Level Survey 2020
SURVEY FINDINGS

II. 2025 – shaping up to be radically different
At the time that our survey was conducted, the WM industry was already facing unprecedented challenges; these are now amplified by the COVID-19 pandemic. Moving on four fronts needs to be accelerated by WMs.

2025 – Key areas of business model changes required

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WMs should more than ever focus on differentiation and innovation while ensuring their core mission of keeping client assets safe. Resiliency will be tested, so they must overcome organisational inertia to reinvent the client experience and products for future generations.

In this section, we discuss the consequences for differentiated client experience, intelligent operations and technology as well as the critical area of responsible leadership and strategy that brings both together. All this will inform the enhanced talent and change transformation path taken by individual WMs.

**Differentiated client experience**: client servicing models will change to meet the needs of a new generation of clients and address the risk of intergenerational outflows. Hyper-personalisation will be delivered through technology to facilitate advisors to serve multiple segments more profitably. This demands new technology and the evolution of human/machine collaboration between advisors and clients delivering the next generation of advisor models. Value generation will significantly shift to the front office through hybrid advice models. These will allow for frictionless delivery through advisors enabled by technology. Traditional channels are also expected to be supplemented by many more options to serve specific clients. Products and solutions will shift towards advice and a wider range of themes such as ESG, impact investing and the rise of private and non-bankable assets.

**Intelligent operations and technology**: to address the high cost of delivery, siloed processes, legacy core platforms, fragmented data and security must evolve. Change will require more flexible operational processes and a wider adoption of intelligent technology solutions. This could be achieved by standardising, automating and enhancing front-to-back and front-to-front processes. The IT stack would also need to be deconstructed and rebuilt in new ways allowing for the growth of new models incorporating emerging technologies. Working with platforms and ecosystems to broaden capabilities will become more important.

**Responsible leadership and strategy**: without coherent leadership and strategy, the changes above should remain disparate and uncoordinated, leading to an ineffective response to key megatrends. Leaders should focus on differentiation and innovation while maintaining their core mission of safeguarding the assets of their clients through delivering profitable client value. They must also adopt the right mix of financial and non-financial metrics to measure performance and demonstrate to stakeholders that the business is being transformed in the right way. WMs would also need to develop the ability to work in multi-firm ecosystems, platforms and partnerships. These are critical to move at a controlled pace from survival mode towards creating and delivering innovative and differentiated offerings so the business can thrive.

**Empowered talent and change**: The fourth dimension of our framework is the critical path to transformation. One of the key aspects of doing business in 2025 will be the ability to adapt to an accelerating speed of change in market dynamics, client demands and internal organisation.
2025 – Differentiated client experience

By 2025, just 17% of WMs expect the traditional approaches to segmentation—by age, region and investable assets—to still play an important role. Instead, it is expected the market will evolve progressively towards a segment of one to reflect individual client wants and needs and deliver superior client value. This will however, need to be balanced with maintaining operational efficiency and managing the cost-to-serve.

As WMs progressively shift towards future client engagement models, they expect to be increasingly driven by a client’s social, ethical, ecological and lifestyle choices, as well as their needs linked to specific lifecycle events. Successfully executed engagement will be key to retaining the next generation of clients and could help stem the outflow that is predicted across the industry.

**Delivering personalised service at scale**

The future is all about offering a highly personalised experience and WMs will align their products and service models to each client’s values, passions and needs in order to provide increased client value. A way to do this profitably is to create digitally enhanced workplaces, leveraging new technology for advisors who are at ease in its use.

In the current environment, our view is that WMs should focus on facilitating ease, convenience and service excellence. Over time, however, they should increasingly focus on the segment of one. All this may require careful consideration to balance the demands of short-term priorities with the investment required to build fully digitally enabled workplaces.

“There is a trend towards micro-personalisation in the industry.”

COO participant – global

**Client segmentation approaches to target evolving client needs**

- **Traditional segmentation by demographics, region and investable assets will continue to play an important role**

- **Personalisation will be driven by both traditional investment needs and evolving client values and lifestyle choices**

- **New approaches driven by evolving client values and lifestyle choices will become more important**

- **Traditional client segmentation will disappear as hyper-personalisation and segment-of-one become both possible and dominant**

17% 53% 21% 9%

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
These digitally enabled workplaces will provide powerful data analytics and tools that can address and predict client needs. But this model will depend on being able to collect, store and access client data. While clients will be open to sharing data to support a more customised service, the data paradox means they will expect firms to operate stringent and advanced data privacy and security measures. Trust will evaporate quickly if this is not the case.

Increasingly, these emerging advisor-machine collaborative models will integrate innovative technologies. By 2025, it is expected that robotics and data-driven intelligent-workload allocation will improve capacity, as well as the net contribution of advisors as many lower-value tasks become automated or redistributed across the organisation. This will drive demand for increased service model improvements and a change in culture. Additionally, the increasing use of data analytics will help advisors to move progressively towards being able to provide a segment of one experience.

While these collaborative models help manage the cost-to-serve by identifying and directing clients to the appropriate service and distribution channels, they also create value for the client. For example, making better use of self-service options, for lower-value market segments and for those with less complex needs supports the democratisation of wealth and integration of affluent clients.

At the same time, this helps with the scaling of services, which could result in more time for advisors to spend on delivering value to higher-worth clients.

“We are adapting to the next generation taking over wealth by using digitisation, different channels, data analytics and staying relevant with our product universe.”

COO participant – Europe

Technology will enable differentiated service delivery at scale across the wealth bands

Ultra HNW (>\$30m)

Upper HNW ($5-30m)

Lower HNW ($1-5m)

Mass affluent ($<1m)

Top five ultra HNW
1 Bespoke wealth structuring and counselling (family office)
2 Delegated discretion investments
3 Consolidation of holdings across providers and institutions
4 Curated wealth management including non-financial lifestyle assets
5 Advisory investments

Top five mass affluent
1 Digital banking (self-service)
2 Securities trading (execution-only and advised)
3 Robo-advisory (goal-based investments)
4 Delegated discretionary investments
5 Hybrid advisory (advisor-led robo)

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
When it comes to upper HNW clients, 90% of participants believe they will still need to offer face-to-face engagement with advisors. Perhaps of more surprise is that as many as 57% continue to see a need for paper communication—possibly due to the requirement for privacy or legal limitations of e-signatures, for example.

Digital channels are expected to dominate the affluent and lower-HNW segments but, as mentioned, they will also be key for less complex and lower-value products, as well as advisor interaction via phone, email and chat across all market segments. In fact, most WMs plan to offer social media, web and online banking to all their clients.

**Optimising the channel mix will be key to meeting the needs of different wealth bands**

- 81% will favour web and mobile banking for lower HNWIs
- 65% will use social media as a delivery channel for affluent clients
- 90% will still offer face-to-face advice at firm’s premises for upper HNWIs
- 57% will continue to use paper communication for ultra HNWIs

Source: Accenture – Orbium Wealth Management C-Level Survey 2020

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**Spotlight on the digital evolution of advice**

When it comes to technology to help advisors adapt to the disruption and changes they face in terms of regulation, shifting client demands and needs, as well as increased market volatility, the big challenge is finding the right balance of human advisor and machine interface.

Tomorrow’s leaders are expected to make digital more personal through increasingly customised, dynamic and individually tailored interactions, with advisors supported by intelligent technology solutions. This will mean replacing existing communication and interaction points, multiple legacy technologies and fragmented data sources, and developing new skills, behaviours and capabilities. It also involves collecting and analysing more client data and ensuring excellent security and guardianship. Data presents major risks to WMs if not managed securely and compliantly.

Once all this is achieved, there will be extraordinary opportunities to increase advisor client-facing and interaction time and reduce the hours spent on administration. This is vital as future success will likely require both WMs and advisors to be available when needed via whichever channel clients choose. It will also require more continuous learning and development, with enhanced mentoring and coaching, and new performance and compliance dashboards with “drill-downs” to track and guide future success and prove compliance.

Put simply, by using digital technology, WMs can put the client back at the heart of the conversation, significantly increasing their chances of thriving.

Securing wealth in motion with broader advice and solutions

Survey participants predict a seismic shift in how wealth is managed in terms of asset flows. For many years, the primary opportunity for revenue growth has been new client acquisition and the flow from cash deposits into investments, with revenues correlated to this increase in AUM. It is observed that multi-generational and new wealth clients will drive a big shift in asset flows towards more investment advice, encompassing a wider range of traditional and new asset classes.

Looking to 2025, while NNM and a growing share of client wealth will likely continue to be important, participants highlight the rising importance of advisory mandates and holistic financial planning, with most firms expecting to increase their capabilities in both areas. This represents great potential for WMs, providing the opportunity for higher-value client engagement across the full extent of their wealth assets and liabilities, including access to their non-bankable assets—for those WMs able to do so.

22% already offer ESG and impact investing

We keep an eye on what is happening in the market for newer, innovative products and intelligence, check what resonates with clients and what doesn’t before we integrate anything into our offering.

COO participant – global

Participants acknowledge that more assets will be put in motion, reflecting a change in client investment preferences and values. While traditional approaches towards investment, banking and lending dominated the client offerings from WMs in 2019, the industry recognises that pressure for change is building. This is down to the growing emphasis clients place on having their environmental, social and ecological values reflected in their investments. Already, 22% of WMs say they currently offer products and services around ESG and impact investing, for example.

Client asset flow shifts will drive revenue potential

<table>
<thead>
<tr>
<th>2019</th>
<th>2025</th>
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<tr>
<td>1</td>
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<tr>
<td>Cash and deposits ➔ investments</td>
<td>Investment advice ➔ financial planning</td>
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<tr>
<td>2</td>
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<tr>
<td>Traditional advisory ➔ advisory mandates</td>
<td>Traditional advisory ➔ advisory mandates</td>
</tr>
<tr>
<td>3</td>
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</tr>
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<td>Investment advice ➔ financial planning</td>
<td>Cash and deposits ➔ investments</td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Evolution of products and solutions

As for products and solutions, participants expect prevailing securities-based portfolios to decline in relative importance, with fewer than half citing this as a priority offering by 2025. The same trend is seen in structured products, alternatives and fiduciary. In their place, we see the rise of products and solutions that respond to clients’ ethical, social and ecological values. For example, the number of participants expecting to offer ESG, SRI and impact-investing solutions more than doubles by 2025. Managed fund and ETF portfolios, as well as the already highlighted financial planning, complete the top three products and services priorities of participants going forward.

Similarly, the number of participants prioritising private assets through services such as IPO advisory had the largest percentage increase between 2019 and 2025, although this is from a lower starting point. Clearly these firms are looking to strengthen their relationships with entrepreneurs and business owners, seeing them as a growing source of wealth.

Another area that saw a rise in its ranking as a priority was family advisory services (e.g. family office governance, philanthropy). A small number of participants also flagged for the first time the tokenisation of assets and cryptocurrencies as priorities for 2025.

Spotlight on the evolution of ESG and philanthropy models

ESG investing already accounts for about half of all professionally managed assets today.¹ With the coming wealth intergenerational handover, this proportion is expected to rocket.

WMs looking to capture some of this opportunity should develop a new class of advisor skills with a high degree of expertise and accreditation. Relationship managers need not only to have a strong financial background but also knowledge of ESG and impact investing and the WMs themselves will have to mirror their clients’ ESG interests in their own policies and business model.

For our business model to remain competitive, we are re-orienting bankers and product specialists to provide higher value-added, tailored advice and services for our private bank clients.

CEO participant – Asia

Overall, client engagement in 2025 will likely be dominated by technology and data-enabled hyper-personalisation. Participants believe that those clients engaging WMs will expect bespoke advice delivered through highly personalised services in propositions that reflect their values and beliefs. In addition, advice may include a holistic view of a client’s consolidated assets and liabilities across institutions and new propositions that integrate non-bankable assets.

This class of investor is savvy, educated and wise to “greenwashing”—any organisation that overstates its commitment and ability will quickly be rumbled.

Today’s philanthropists are tightly focused on their own aspirations and the impact they want to make. This often means WMs need a network of expert partners to allow them to offer an end-to-end service. For example, one WM works with several partners to provide a range of insights to inform client decisions. These partners might draw up different scenarios, defining what the client could seek with different levels of funding, while the bank and other partners work on the best legal structure to channel that funding.

¹ Source: The United Nations Global Compact – Accenture Strategy, CEO Study on Sustainability 2019: The Decade to Deliver a Call to Business Action
2025 - Intelligent operations and technology

It’s the end of the road for siloed operations and processes, legacy core platforms and fragmented data and security if the industry is to address its high cost of delivery. The operating models of 2025 will focus on being dramatically more cost efficient, resilient, compliant and dynamic. This will be achieved not only by standardising, automating and enhancing front-to-back and front-to-front processes but also by using artificial intelligence (AI), machine learning (ML) and robotics (in the form of robotic process automation and intelligent process automation) to enhance dataflows. Working with platforms and ecosystems to broaden capabilities will become more important.

Towards intelligent operations and emerging technology

Digital operations and processes are expected to improve both client and workforce experience, provide a much deeper level of data insight and increase operational efficiency. They could also help to transform the organisation, as well as the operating model itself, notably in terms of adaptability, scalability, interconnection, sourcing and integration strategies.

“
In the future, platforms will be core to wealth and AI and data will accelerate the ability of advisors to deliver greater client personalisation.

COO participant – Asia"
By 2025, our survey participants expect to be at very different levels of maturity when it comes to operational efficiency and organisational interconnection.

Overall, 93% expect to have optimised front-to-back process automation across internal and external partners to benefit from emerging intelligent-process automation while 63% expect to have integrated client experience and AI/ML-driven digital processes to improve response times. In addition to the previously mentioned rise in advisor-machine collaboration, intelligent workload allocation and robotics are expected to improve time- and cost-to-serve, as many lower-value tasks will be automated or redistributed across the ecosystem.

### Working with platforms and ecosystems to broaden capabilities

Increasingly, we will see the redistribution of lower-value and non-differentiating tasks and processes (such as payments and settlements) to internal or external partners including service centres, digitised centres of excellence and utilities providers that can deliver automation and efficiencies at scale. High-value, differentiated services such as advice and financial planning will likely be provided in-house but increasingly be supported through specialised partners who can help expand offerings with passion assets, lifestyle services, tokenisation and health and wellness services. These changes will be supported both by transversal links within the organisation and through links to external third parties.

### How the focus evolves to achieve operational efficiency

<table>
<thead>
<tr>
<th>Resolution of semi-manual processes and siloed functions</th>
<th>Optimising front-to-back process automation across internal and external partners</th>
<th>Integrating client experience and AI/ML-driven digital processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019: 54%</td>
<td>2025: 93%</td>
<td>2025: 63%</td>
</tr>
<tr>
<td>2019: -7%</td>
<td>2025: +50%</td>
<td>2025: +53%</td>
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</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
In all cases, third parties will be seamlessly integrated into the operating model and system architecture of WMs. Processes will be enhanced end-to-end across internal and external partners, with advanced security and compliance fully supported.

It’s a similar story when it comes to system architecture: 64% expect to move from a monolithic, inflexible core with siloed functions and fragmented data towards a slim, modern dynamic cloud-enabled core that allows access to more cost-effective service models including Software as a Service (SaaS) or Business Process as a Service (BPaaS). WMs will also be taking advantage of predictive data capabilities by 2025 and nearly 80% say they will focus on fully integrating partners into a flexible ecosystem with sophisticated data intelligence to improve business value.

80% will be focusing on fully integrating partners into a flexible ecosystem

The new competition from non-traditional, financial-sector players will be accompanied by new entrants such as big tech and niche-wealth fintechs. They will promote cross-industry platforms enabled by electronic wallets and payment systems and move into some wealth management areas, enabled through ecosystem partnerships—a development that could pose a significant threat.

COO participant – Asia

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COO participant – Asia

How the focus evolves to achieve a data- and client-led platform

Moving from an inflexible core with fragmented data sources to a more diverse application landscape

Adopting a slim, modern core with integrated strategic sourcing and predictive data capabilities

Fully integrating partners into a scalable, business-aligned ecosystem with sophisticated data intelligence

2019 | 2025 | Evolution between 2019 and 2025

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Overall, the industry is heading towards platforms that are led by data and client experience to deliver value, with a systematic approach to ensuring business and operating models are fully aligned. A key feature of such a functional and technical architecture will be micro-services that allow the easy addition and removal of components and services without disturbing the overall stability and operational function of the platform. This will aid efficient scaling up or down, as well as the ability to pivot at pace to accommodate evolving business objectives.

“

For our business model to remain intact and competitive, we are migrating to a flexible core where partners will connect to us directly—eliminating any middle-layer applications.

COO participant – Europe

“

Spotlight on hybrid digital transformation

Some WMs have recently tried to service clients with a pure digital offering decoupled from their traditional clients and existing technology. For many, this leap has proved costly and far from successful as firms have struggled to absorb costs while expected revenues failed to materialise.

A more sustainable way forward is to pursue digital transformation in combination with a move to a lean core platform—also known as hybrid digital transformation. A major benefit of this option is that it provides a structured approach to change and scalability, with the firm’s reliance on its legacy IT reduced over time.

Modern lean IT platforms and third party services could be cost-effective ways to drive efficiencies across both self-service and advisor-led parts of the business. This can also be done for commodity, non-differentiated utility services, such as payments and security transactions, as well as for higher value-added services such as advisory and financial planning. Once established, WMs would not only be able to serve multiple clients holistically but will also be able to gather and use more operational and client data—a critical factor in creating a superior service.

This is easier said than done. Success is predicated on a deep understanding of business and technology design. Operational data, risk and existing system constraints must be fully taken into account in the design of processes, client interactions and product functioning, along with how newer technology will enable it all to happen. An essential element is the use of an integrated business and technology change assessment framework to drive increased value from both innovative and non-differentiating services.

A look at successful examples of distribution disruptors in the hospitality, entertainment and transport sectors demonstrates how to successfully deliver value in this way. Highly sophisticated curated concierge services are one example of such transversal service models. However, caution is required. While highly effective, a hybrid digital transformation requires a strong vision and change governance from the top. To truly deliver business value, the culture needs to change as well as the technology and business capabilities.

Source: Accenture and Orbium research.
2025 – Responsible leadership and strategy

Choosing the right response strategy

In the future, tying it all together will be a critical element of responsible leadership. Participants identified the necessity to move to a more responsible leadership style which addresses societal megatrends, delivers sustainable business and social value and meets the demands of a broader set of stakeholders. Managing risk and volatility would also need to evolve to meet the changing nature of how a firm will likely grow. Siloed product-centric risk frameworks and decision-making would need to become much more client-centric, as revenue growth is tied to meeting individual client needs and personalisation of the proposition.

In addition, new channels and the increased use of digital as both an enabler for efficiency and a core wealth proposition, will require organisations to rethink their strategy and implement the necessary governance and controls to facilitate franchise health.

WMs should continuously adapt their business models to align revenue generation and cost-containment priorities with the right target operating model and legal organisational structure.

WM leaders will also have to acquire a strategic understanding of how emerging megatrends in areas such as society and technology can help them create a sustainable and competitive advantage. Leaders must focus on differentiation and innovation while maintaining their core mission of safeguarding client assets if they are to survive and thrive beyond these unprecedented times.

Spotlight on what the C-Suite is saying

It seems the C-Suite’s playbook is at a turning point, with responsible leadership and co-operative ecosystems increasingly at its heart. Building trust with clients, staff and owners via a positive environmental and social policy/strategy and a clear and demonstrable focus on diversity could be key. Some WMs, for example, are signing up to the UN Sustainable Development Agenda and many are providing, or looking at how to provide, advice on social impact investing and philanthropy.

They are also looking to extend their services beyond the UHNW and HNW to the affluent, taking advantage of technology to provide digitally-enabled service models, as well as to create innovative products and services.

Most WMs also say they expect to work with more alliances, partnerships and ecosystems to gain new capabilities, amplify innovations and scale quickly at less cost and risk. Over time, many expect to operate within more ecosystem-type models as the circular and sharing economies take hold.1

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1 Source: Accenture’s The Circular Economy Handbook by Peter Lacy, Jessica Long and Wesley Spindler. The United Nations Global Compact – Accenture Strategy, CEO Study on Sustainability 2019: The Decade to Deliver a Call to Business Action
How firms measure and communicate their success will change. A balanced scorecard covering both the usual financial metrics, as well as new non-financial measures will become the norm. Many of these new KPIs will relate to the notion of responsible leadership, such as sustainability, diversity and community impact. Others could highlight good governance, client engagement and how firms are responding to societal values and pressures (e.g. the diversity and background of board members, direct and indirect shareholdings, major shareholders, etc).

Future strategy will need to include ecosystems and partnerships as an inherent part of scaling the model, supplementing the more traditional M&A and organic growth routes while nurturing the right culture for change.

**An era of social and environmental change**

Given the scale of change expected in the industry, it is abundantly clear that pure financial performance from leaders is no longer sufficient; stewardship and social accountability are becoming ever-more weighty criteria by which firms will be measured in the years to come.

By 2025, 41% of WMs believe their internal strategy and governance will need sustainability embedded as a core corporate value across shareholders, clients and employee goals. A further 39% predict that more advanced and innovative approaches to participating in the sharing economy and publicly advocating sustainable and ethical practices will be a significant trend.

Although 80% expect to be moving in the right direction, only 41% believe they will have embedded this practice as a core element of their future corporate culture. This reflects the challenges of implementation as WMs understand that “greenwashing” won’t cut it. If WMs are to attract and retain clients, their own credentials, leadership styles, values and culture will have to measure up. Directors who sit on the boards of airline, oil and gas, tobacco and arms companies, for example, might not sit well with ESG principles. On the other hand, supporting research into overcoming antibiotic resistance or capturing plastics within the oceans are examples which will likely be perceived positively by stakeholders.

The extent of this change means that almost 80% of participants expect to be moving beyond the traditional approaches to corporate leadership by 2025 into an era of wealth with responsibility.

Responsible leaders will focus on efficient business governance and execution. This will involve fostering a constant culture of change, finding new ways of working and collaborating and instilling a drive for innovation. In this respect, attracting and empowering the right personnel will be a game-changer.

**Leadership approaches to become progressively more responsible**

- **Traditional**
  - Focused on monitoring ESG and SRI indicators that are integrated within the existing investment process
  - 20%

- **Evolving**
  - Sustainability is embedded as a key corporate value that is aligned across shareholders, clients and staff goals
  - 41%

- **Advanced**
  - Incorporates both sustainability and net-positive strategies into corporate values
  - 21%

- **Innovative**
  - Participates in a sharing and circular economy and publicly advocates leading sustainable and ethical practices
  - 18%

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
2025 – Empowered talent and change

The fourth dimension of our framework is the critical path to transformation: how changes to business, operations and technology will be delivered. We have included insights into how survey participants expect to successfully deliver their change, talent and transformation priorities. Participants also identified early movers who are at the forefront of innovations and change in key dimensions in their strategy, operations and technology areas.

**Talent and collaboration**

One of the most critical aspects of doing business in 2025 is expected to be the ability to adapt to an accelerating speed of change in market dynamics, client demands and internal organisation. This will require platform, operations and ecosystem flexibility and developing talent capability to collaborate and innovate across the firm. Collaboration models could strengthen new ways of working, for example through peer-to-peer networks.

Adapting to an accelerated speed of change will likely have significant impact across the whole organisation. Future success is likely to be predicated on the ability to attract, retain and empower talent, sustain a culture of constant change and nurture collaboration. Having the appropriate balance of traditional and new capabilities and skills across operations, technology and people will be critical to help close the maturity gap between emerging industry future leaders and the rest.

“Hiring the right people will be key for our business model to remain competitive.”

COO participant – Europe
In summary, business models will be more dynamic and deliver higher client value by 2025.

<table>
<thead>
<tr>
<th>Business response framework</th>
<th>2019</th>
<th>2025</th>
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</thead>
<tbody>
<tr>
<td><strong>Differentiated client experience</strong></td>
<td>Focus is on traditional clients and traditional reporting of investable assets with standardised products and services</td>
<td>Will address intergenerational shift and growth in holistic personal wealth through modern advice including ESG, impact investing, private and non-bankable assets</td>
</tr>
<tr>
<td></td>
<td>Traditional advisor service models with one-size-fits-all approach</td>
<td>Empower next gen advisors through digitally-enabled workplaces and data-enabled hyper-personalisation to deliver best-in-class service</td>
</tr>
<tr>
<td><strong>Intelligent operations and technology</strong></td>
<td>High cost siloed operations and processes</td>
<td>End-to-end intelligent, cost efficient scalable processes and data flows enhanced through AI, ML and robotics</td>
</tr>
<tr>
<td></td>
<td>Traditional legacy core platforms with primarily in-house support, fragmented data and security</td>
<td>Adopt intelligent processes with enhanced data capabilities through a slim, modern core incorporating advanced security and resilience</td>
</tr>
<tr>
<td><strong>Responsible leadership and strategy</strong></td>
<td>Focus on financial performance with traditional scaling/acquisitions approaches</td>
<td>Balance financial and non-financial performance with new skills to meet megatrends and diverse stakeholder needs and working in ecosystem and partnerships</td>
</tr>
<tr>
<td></td>
<td>Predominantly delivering traditional client value through inflexible business models</td>
<td>Balance confidence and innovation in dynamic business models to deliver higher client value</td>
</tr>
<tr>
<td><strong>Empowered talent and change</strong></td>
<td>Traditional ways of working</td>
<td>Nurture a dynamic culture, comfortable with uncertainty and encourage new ways of working through the right governance, collaboration and talent management</td>
</tr>
<tr>
<td></td>
<td>Piecemeal, unaligned traditional initiatives with short term focus to the detriment of longer-term strategic initiatives</td>
<td>Disciplined transformation to respond to megatrends aligned to short and medium-term initiatives</td>
</tr>
<tr>
<td></td>
<td>Discover and design future value ambitions, co-create, innovate and accelerate with partners to launch and scale for sustainable success</td>
<td></td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
SURVEY FINDINGS

III. Delivering success through innovation and technology
C-Suite see a clear path forward to transform and change

We asked participants about their transformation journey to 2025 around six topics. Starting with their business transformation priorities, following revenue and cost aspirations, business and technology investments and the business value they expect if they successfully deliver their multi-year change programmes. We then questioned them on how well they are achieving their change and business transformation initiatives and finally, who they rank among their peer group as early-moving leaders. While each WM firm has its own business transformation priorities, the survey reveals that when it comes to successful strategies, WMs are following similar paths.

Interestingly, participants’ priorities for 2019 differ significantly from those planned for 2025, showing that they anticipate very differing needs and priorities for their businesses in the future.

Perhaps unsurprisingly, 2019 priorities include the modernisation of core platforms to allow participants to take advantage of innovations in technology. Also making the list are enhancing the client experience in existing channels, improving the availability of self-service, as well as seeking growth through both organic expansion and acquisitions.

Finally, there is a continued focus on optimising semi-manual processes and meeting performance expectations predominantly through in-house product solutions.

Reassuringly, the transformation priorities for 2025 align well with the future business model changes already discussed. In 2025, participants expect to build on progress by moving towards seamless and integrated end-to-end processes—not just in-house but also with regard to partners. The products and services focus will shift to incorporate values and beliefs within more advice-based offerings including ESG and more impact investing. This is likely to be facilitated by working with partners across intelligent platforms so advisors can deliver relevant, innovative and valuable advice in a more scalable and differentiated way.

Data-fuelled analytics will complete the picture of a more profitable and engaging future client experience. But accompanying this comes the paradox of data privacy as new risk and security measures are identified by 55% of WMs as a priority investment area. Firms recognise that if they are to convince their clients to allow them to collect, use and store more of their personal data, they need to show they can be trusted to keep it secure. Opportunities exist for those WMs who can differentiate and communicate their capabilities in managing risk and security.

Transformation priorities radically shift by 2025

<table>
<thead>
<tr>
<th>2019</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Moving from an inflexible core with fragmented data sources to a more diverse application landscape</td>
<td>1. Optimise front-to-back process automation across internal and external partners</td>
</tr>
<tr>
<td>2. By responding to known client needs through traditional channels with initial self-service options</td>
<td>2. Offer personalised advice and solutions according to a client’s global holdings, ethics and beliefs</td>
</tr>
<tr>
<td>3. Expanding markets and segments organically and through acquisitions</td>
<td>3. Offer a fully customisable, comprehensive, client-driven multi-channel interaction (segment-of-one)</td>
</tr>
<tr>
<td>4. Resolution of semi-manual processes and siloed functions</td>
<td>4. Offer innovative services through a network of partners (including disruptors and non-industry players)</td>
</tr>
<tr>
<td>5. Meeting performance expectations and client preferences through primarily in-house solutions</td>
<td>5. Fully integrate partners into a scalable, business-aligned ecosystem with sophisticated data intelligence</td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Concurrent restructuring and growth is on the agenda

Participants identified the key levers they need to pull to drive revenue growth from their multi-year change programmes. They expect the biggest benefits to come from improving multi-channel client servicing, followed by extending their offer to the families of clients and to client peer-group networks and even their communities. In this way, WMs will be able to address changing client wants and needs, as well as the intergenerational outflows of wealth.

Other areas of focus include seeking gains from innovation in client experience, followed by client lifecycle and account management and improvements supported by stronger client insight and personalisation. Our view is that all this will be progressively enabled as WMs increasingly adopt new technologies including AI and ML.

Significant efficiencies are also expected on the cost side from operations and technology-led investment across multi-year change programmes. Operational efficiency improvement priorities include a combination of straight-through processing, increased robotic process automation (RPA) and business-process streamlining, together with associated organisational redesign. This is followed by a strong focus on increasing advisor productivity supported by digitisation and the cultivation of a modern technology ecosystem and business model optimisation. All this will be accomplished by working with best-in-class service partners to help fundamentally restructure the cost equation and by taking advantage of new technologies, such as cloud-based services including SaaS and BPaaS.

By 2025, revenue growth will come from distribution, proposition and service innovation

By 2025, traditional methods of cost reductions will be complemented by digitisation and ecosystems

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Strategic business and technology investments need to be targeted

Strategic business investments

We asked participants how they will prioritise their strategic investments in the near term and where they plan to invest to thrive in 2025. In 2019, investment in regulation and compliance remains the top strategic investment priority and the need to meet regulatory change continues to absorb resources and affect the ability of firms to drive their transformation agenda as fast as they would like. Investment in go-to-market propositions and client acquisition, as well as in talent, complete the top three priorities for 2019. Our view is that in the short term, the ease and convenience of client engagement and service delivery models will become even more important given the impact of COVID-19. Longer term, the trend will continue towards personalisation.

Beyond the short term, participants hope to have the resources to invest in initiatives more aligned to their future business transformation priorities.

Strategic investment priorities shift to delivering client experience and technology

<table>
<thead>
<tr>
<th>2019</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regulation and compliance</td>
<td>1 Improved client experience</td>
</tr>
<tr>
<td>2 Go-to-market and client acquisition</td>
<td>2 Technology</td>
</tr>
<tr>
<td>3 Talent attraction, development and retention</td>
<td>3 Talent attraction, development and retention</td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020

Interestingly, by 2025, participants show their focus will shift towards delivering client value by improving client experience and leveraging the innovative technologies required to deliver more dynamic future business models. Investment in attracting and developing talent remains a priority and significant shifts will be needed to develop the new skills required across the organisation to support new ways of working.

It is not assumed that investments will necessarily align to the business-transformation priorities as participants acknowledge that run-the-bank (RTB) and change-the-bank (CTB) priorities may conflict and finite investment resources must be prioritised. This may be especially true given recent events. Overall, there appears to be an apparent lack of consensus, with conflicting short- and long-term priorities perhaps stymieing investment and wholesale change.
Technology investments

Next, drilling down into technology investment priorities confirms earlier observations about wider strategic investment. In 2019, enablement topped the investment priority list—indicating some progress in evolving the business model. Fast forward to 2025, advisor enablement continues to remain the top priority. Participants also highlight those technologies required to enable their business transformation priorities, namely personalisation of the client offering to drive growth, and process standardisation and automation to reduce cost.

We have evolved our business model this year to offer a more multifaceted advisory approach responding to the challenges and requirements of our clients.

CEO participant – Europe

Technology investments aim to deliver greater client personalisation

<table>
<thead>
<tr>
<th>2019</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Advisor enablement</td>
<td>1 Advisor enablement</td>
</tr>
<tr>
<td>2 Platform modernisation</td>
<td>2 Personalised client offer</td>
</tr>
<tr>
<td>3 Regulatory, risk and security measures</td>
<td>3 Process standardisation and automation</td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Spotlight on IT priorities of the future

There is no doubt that in the future technology needs to be better aligned with the client and the business, as well as to be easier to use. This will require a more unified solution that is synchronised throughout the organisation and with partners. Those that achieve this would gain advantage through more flexible and dynamic businesses.

1. Seamless ecosystem integration
Efficiency in ecosystem selection, integration and maintenance will be a major differentiator while a key measure of survival will be an organisation’s ability to innovate at speed with the right partners as technology advances. To effectively reduce the high cost of delivery across distribution channels, a balance will be required across utility services such as payments, self-directed services and hybrid-assisted services.¹

2. Applied intelligence
Successfully combining AI with data aggregation, analytics and automation will be the silver bullet when it comes to transforming businesses and will allow WMs to provide modern, personalised advice at scale across the full client lifecycle.

Embedding AI, automation and analytics at the core of wealth managers’ client engagements will enable better and faster decisions, help WMs spot and act on new opportunities, reduce conduct risk and increase client revenues.

3. Lean core platforms
Adopting modern core platforms will improve cost-to-serve, enable partner integration and support differentiation with a rapid time to market. In addition, the right platforms will be able to provide the processes for swift regulatory compliance changes within an ecosystem architecture. Delivery models will become more flexible and scalable by adopting cloud solutions in partnerships through SaaS and BPaaS.

4. Cyber and data security
Comprehensive and advanced cyber security will be needed in light of increased reliance on personal data, protection against fraud and provide improved operational resilience. This will ensure brand protection and retain trust and loyalty.

¹ See Accenture’s Competing with Banking Ecosystems 2019
**Significant business value could be realised**

Survey participants recognise that while the stakes are high, there is huge opportunity if they can successfully deliver on their business transformation aspirations. They understand that if they can realise their multi-year change ambitions, they can drive value through higher revenue growth from traditional and new clients and reduce costs through operational systems and organisational enhancements. If their multi-year change programmes are successful, they expect to realise significant revenue growth up to 30%. But it’s not all about growth. Significant efficiencies are also expected on the cost-reduction side. On average, WMs expect around 25% savings on operational expenditure across multi-year programmes—an average, positive jaws ratio\(^5\) of 55%.

However, historic evidence and the participants’ own recognition of the challenges inherent in transformational change, not to mention the COVID-19 crisis, all suggest that success is by no means a given.

In our view, successful firms always move on three fronts to change and transform, allowing them to evolve sustainable business models and edge ahead of the curve. It’s a three-part approach that allows them to adapt, survive and thrive. First, they discover and design their future value ambitions based on the impact that trigger points, such as megatrends, will have and define the aligned plans and targets needed to address this change. They then co-create, innovate and accelerate with partners to quickly move to create a relevant and sequenced portfolio of change initiatives. Finally, they launch and scale up to implement the required transformational changes at pace to seek sustainable future success.

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**Potential revenue growth and cost reduction**

<table>
<thead>
<tr>
<th>+30%</th>
<th>-25%</th>
</tr>
</thead>
<tbody>
<tr>
<td>total revenue growth</td>
<td>total cost reduction</td>
</tr>
</tbody>
</table>

"Competition is polarising with one group of fast adopters meeting changing client trends, needs and behaviours leaving another group of less successful competitors behind."

CEO participant – global
**Change and success is by no means given**

As well as asking how participants expect their businesses to transform, the survey looks at where WMIs believe they are excelling or facing particular challenges. Currently, many believe they excel at embedding a strong culture for change, but for others this is their biggest challenge. However, WMIs understand that they must invest more in attracting and retaining the right talent to better serve clients and offer new products, with a majority of respondents citing talent as a top-three investment priority over the next five years. Whether firms have the appropriate cultures to do so is uncertain, as two in five respondents (40%) said that they have difficulty adopting a strong culture for change and embracing new ways of working.

In terms of other areas where they excel, participants report they are good at attracting the right people and ensuring optimal business processes across the organisation.

Others are finding it a challenge to capitalise on opportunities provided by emerging technologies and to transform their legacy environment into a flexible ecosystem of service providers.

This is likely to be a combination of both identifying and selecting the appropriate solutions from the myriad providers in the market, as well as the technical challenges of integrating innovative technologies with legacy platforms.

Participants also recognise that in a fast-evolving environment they will have less margin for error when it comes to delivering their programmes of change. To overcome this, they aim to draw up and effectively manage change programmes. These will be less fragmented and more aligned across the business and technology through improved design and new implementation approaches. This means developing innovation capabilities and methods to encourage new ideas and options, working in more agile ways, testing and learning from both traditional partners and industry disruptors.

Whatever the perceived challenges, achieving the projected business and technological changes will not be easy and will require an aligned approach rather than tackling change on a piecemeal basis.

**Top three successes and challenges**

<table>
<thead>
<tr>
<th>SUCCESSES</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embedding a strong culture for change and embracing new ways of working</td>
<td>Embedding a strong culture for change and embracing new ways of working</td>
</tr>
<tr>
<td>Attracting and empowering the right personnel</td>
<td>Capitalising on opportunities of emerging technologies</td>
</tr>
<tr>
<td>Optimising and automating fragmented processes</td>
<td>Transforming legacy environment into a flexible ecosystem of service providers</td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
Early winners

To get a picture of how the industry is evolving, we asked participants which firms they rate as leaders in their peer group on key dimensions of innovation and differentiation. The firms that rank highly can be identified as early-moving future leaders. In terms of delivering superior client experience across the whole lifecycle, a mix of traditional and new entrants from Europe, Asia and the US ranked highly.

Interestingly, no individual WM firm was identified as being a leader across the board, but some were consistently rated across multiple areas. This suggests there is still opportunity for all but the time for action is now.

We believe that the traditional competitive boundaries within financial services will blur, with players such as investment banks, asset managers and insurers increasingly transforming to become wealth managers—upping the competition.

CEO participant – global

Early winners by type of firms

<table>
<thead>
<tr>
<th>Key dimensions of change</th>
<th>Type of firms ranked most highly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivering a superior client experience across the full lifecycle</td>
<td>A mix of traditional and new entrants from Europe, Asia and the US</td>
</tr>
<tr>
<td>Providing a differentiating digital offering</td>
<td>Both traditional and new entrants</td>
</tr>
<tr>
<td>Innovating products and solutions</td>
<td>Traditional players cited were mainly those with an asset management, investment banking and brokerage arm</td>
</tr>
<tr>
<td>Achieving operational efficiency</td>
<td>Traditional players</td>
</tr>
<tr>
<td>Utilising emerging technologies</td>
<td>Both traditional and new players</td>
</tr>
<tr>
<td>Demonstrating strong sustainability and diversity commitment</td>
<td>Both traditional and new players</td>
</tr>
</tbody>
</table>

Source: Accenture – Orbium Wealth Management C-Level Survey 2020
CONCLUSION

Approach to business change will determine success

It is clear the wealth management industry is being forced to change—and fast. Most WMs were experiencing disruption even before the COVID-19 pandemic and they knew why and where they needed to adapt, yet many remain unsure how to translate this into strategy. For those that can focus and accelerate change, there could be real opportunities for growth and future success.

Indeed, the majority of WMs are optimistic about the future and this survey gives highly valuable insight on peer investment, strategy and models. Trends such as hyper-personalisation and creating open ecosystems of partners for service and product enhancement are gathering steam as WMs realise that maintaining a superior level of client service requires adapting to changing client needs and wants. Also, by creating technology ecosystems to help innovation, they could also reduce costs. But the numbers of converts are still relatively low, suggesting that many WMs may find they are falling far behind the leaders and innovators by 2025.

The apparent lack of consensus possibly reflects that the industry does not yet fully know what success looks like, so participants are trying different things. Nevertheless, there needs to be a balance between short-term cost cutting to ensure survival and investing to build the foundations to thrive and capitalise on opportunities through to 2025. The risk might be that conflicting short- and longer-term priorities may impede investment and wholesale change.

For many industries, digital has been integrated across the entire business model for years. Not known for being an innovative sector, WM should now follow suit, be ready for the post COVID-19 world and reposition business models to be more dynamic to capture the potential to 2025 and beyond. Not to do so risks the rise of new, more digitally enabled competitors and platforms rapidly outperforming them. To stay ahead, participants plan to move on three fronts, discovering and designing future value ambitions, co-creating, innovating and accelerating with partners and finally launching and scaling for sustainable success.

Our survey offers some perspectives and insights on how to do this and highlights the areas where some of the leaders are already focusing. We intend to provide further insights on many of the key themes raised on our website. Meanwhile, we welcome your feedback on this report.

Finally, we wish you all well in your endeavours as we march towards 2025.
The Accenture Orbium Wealth Management C-Level Survey provides a view of the current and future evolution of the wealth management industry in Europe and Asia. The survey was conducted through online questionnaires (with the questionnaire being circulated between September and December 2019) and the findings and trends were further detailed and validated by a series of qualitative interviews. In total, participants included C-Level executives from over 50 private banking and wealth management firms. Questionnaire participants together manage private wealth assets of more than $5.6tn. All figures quoted in this report are in US dollars.

Acknowledgements

We wish to thank all of the participating WM executives for their valuable insights and for their time with this survey.
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About Orbium

Orbium helps banks and wealth managers realise their strategy and execution priorities. Widely recognised for exceptional commitment, the firm helps clients to realise revenue growth and efficiency gains through innovation and industrialisation. By effectively blending business and technology consulting with software products and strong partnerships, Orbium enables clients to focus on what matters most: their own success.


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References

1 https://orbium.com/c-level-survey
2 Gross Return on Assets = Gross Revenues/Total Assets Under Management
3 Source: Data and values are from Accenture Research, based on publicly available data.
4 Source: Vontobel Insights Family Influenced Businesses by Lars Kalbreier
5 The jaws ratio is a measure used in finance to demonstrate the extent to which an organisation’s income growth rate exceeds its expenses growth rate, measured as a percentage.