The wealth management and private banking industry realise that urgent technological change is needed. Changes to consumer tastes and behaviours and the rise in adoption of digital technology across many consumer sectors have created an expectation for how services of all kinds should be delivered. Private Banks are currently facing challenges of reduced member retention and lost profitability due to outdated marketing and business models, as well as their resistance to technological innovation and adoption. They have typically been seen as exclusive clubs only for the very wealthy (High Net-Worth Individuals, or those with at least $1m AUD in investable assets). As disruptors enter the market and attract their clients, private banks are being forced to adapt their existing models and strategies to not only retain existing clients, but also to acquire new younger consumer market segments such as mass affluent customers (those with between $100 000 and $1m AUD in investable assets).

The Credit Suisse Global Wealth Database suggests that there are 10.52 million mass affluent people in Australia (62.9% of the population over 20 years old) based on household balance sheet wealth statistics and survey data*. The proportion of mass affluent Australians is the highest of any country and 8 times the world average, representing vast profitability opportunities for private banks in Australia. Private banks should seek a “shift to the left” in their marketing strategies from only HNWI to reach this target market. The new market represents a new generation of clients, born in an entirely different landscape to their generational predecessors, and understanding their needs will be vital for future success. Also known as “Millenials”, this is a tech-savvy generation that has grown up with technology ingrained into their lives.

Effectively servicing and connecting with modern-day consumers through digital innovations and advanced analytics are critical for private banks to succeed in addressing their member engagement issues.

**The Opportunity**

Digital Innovation

Front-End:

Private banks must strive to empower modern-day consumers through offering quality and engaging education, transparency and clarity in their services, convenience and simplicity in understanding.

- **Two-way Communication**: Providing a platform on mobile devices and applications to facilitate collaborative and instantaneous notification and discussion between clients and advisors.
- **Video Meetings**: Offer greater productivity and convenience by replicating face-to-face meetings using mobile devices, accessible from anywhere in the world.
- **Robo-Advisors**: Simple, low-cost portfolio construction and financial advice tailored particularly to mass affluent market who were traditionally marginalised by private banking services.
- **Social/Peer Communities**: Platform where clients can communicate, discuss and learn from other like-minded investors.
- **Financial Gamification**: Innovation to provide financial education in an engaging and simplified manner by immersing consumers into virtual investment environments.

Back-End:

Industry has typically been slow to change back-office operations due to risk-averse attitudes, complex legacy systems and regulatory pressures. Technological change should now be seen as less of a cost and more as an investment for the inevitable digital future.

- **Integrated Back-Office**: Digital business cannot reach true potential without support from capable integrated back-office system with interoperability between all components.
- **Increase Back-Office Productivity**: Frees up time for financial advisors to engage, understand and build better relationships with their clients.
- **Digital Signatures**: Provides greater back-office processing efficiency through accelerating business closures and offering greater flexibility and responsiveness.

**Advanced Analytics**

- **Peer Group Review Platform to better understand investments**: This strategy can be implemented to assure clients of their investment decisions by providing them with the much desired information of their peer investments (people with their wealth level, risk tolerance, appetite and asset allocation desire).
- **Robo-Advice** – The great financial disruption: Robo-advice is an automated investment service which allow investors (with Do-It-Yourself attitude) do not like client banker relationship who cannot afford fee (do not trust advice) the ability to build a diversified investment portfolio online, which is monitored and rebalanced automatically on a personalised basis.
- **Engagement Analytics in the client’s portfolios**: This helps advisers in tracking the interests of the clients better and tailoring products which are personalised and aligned to the client’s interests.
- **Big Data Analytics Sandboxes**: It is a ‘Plug and Play’ solution which helps firms to run big data scenarios within minutes without an overhead of installing, configuring and then building a prototype for it.
- **Emerging analytics tools, Predictive and Visual analytics to generate genuine customer insight**: Predictive modelling could be used to address the changing behaviour of the people and predict the future behaviour of the people.
- **Accelerators to improve back office efficiencies**: Automating the management of the client accounts and investment portfolios and enables firm to focus on building client relationships.
- **Big Data Analytics to turn retail clients into private clients**: Banks can identify their customers internally by monitoring the customers whose credit card spending is very high compared to the average spending rather than targeting new customers.
- **Life Stages approach to tailor product offerings and provide personalised advice**: Mining the historic data of customer’s preferences and build a model to recording their demographics, interests and suggest products accordingly.

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**Source:** Credit Suisse Global Wealth Database 2014

**60.5% of HNWI Australians with wealth between $1m - $5m expect most or all of their wealth management relationships to be digital within the next five years - World Wealth Report 2014.**