

FACTSET > SEE THE ADVANTAGE

DIGITAL WEALTH MANAGEMENT

> **WINNING CLIENTS  
IN THE ERA OF  
HYBRID ADVICE**

PART 2: DISRUPTING ADVISORY THROUGH DESIGN

The background of the entire slide is a dense, isometric pattern of cubes. The cubes are rendered in various shades of blue, from deep navy to bright cyan, and some are a vibrant magenta. They are arranged in a way that creates a strong sense of three-dimensional depth and perspective, with some cubes appearing to float above others.

# DISI

# TH

We concentrated on the digital transformation of the wealth management industry, with a focus on three key debates driving disruption: optimization, visualization, and personalization.



## FOREWORD

As a provider of award-winning data, analytics, and technology solutions to the global financial services industry, FactSet is highly familiar with the digital transformation that the wealth management universe is undergoing. As a business, we are committed to helping leaders in the advisor community put the right solutions in place to seize the opportunities presented by this shift, which first means identifying the keys to success in today's changing environment.

It is for these reasons that FactSet has undertaken our third consecutive survey into the behaviors and preferences of wealthy investors. In March 2018, FactSet, in association with Scorpio Partnership, conducted a global online poll of 877 investors with an average net worth of \$4.88 million. Respondents hailed from four financial hubs: the U.S., the UK, Singapore, and Switzerland. We concentrated on the digital transformation of the wealth management industry, with a focus on three key debates driving disruption: optimization, visualization, and personalization.

With the shift to digital influencing change across different sectors, this year we expanded our research to include a series of expert interviews with influential disruptors who have leveraged digital technology to win business in their respective areas. The insights and observations shared by these cross-industry experts revealed key strategies that wealth firms could leverage to forge stronger client relationships, increase firm competitiveness, and improve advisor efficiency. Additionally, we hosted think tank roundtables with high-profile wealth management professionals in three major markets to gauge attitudes toward digitalization from the advisor side of the relationship, and further illuminate the opportunities that exist today.

Our findings indicate that optimized technology, improved data visualization, and highly personalized content can empower firms to supply clients with the tools and insights needed for a better digital experience, while boosting both firm competitiveness and advisor efficiency. What's more, our research shows that the common assumptions about investor attitudes toward technology in the relationship do not hold true. More than 80% of all respondents indicated that they would value a client-advisor relationship that is augmented by technology. By moving toward a hybrid-advisory model, incorporating digital appetite into their client segments, and tailoring digital tools to these new profiles, there are clear opportunities for wealth firms to increase share of wallet and improve productivity.

Here, we outline over a dozen tactics that can, from the perspective of wealthy investors, industry professionals, and challenger brands, help financial advisors implement and maintain a digital strategy that delivers value and engages investors.

We would like to thank Scorpio Partnership for collaborating with us as we dove into the behaviors of the high net worth community, as well as the 877 wealthy investors that took part in our survey. Additionally, we thank experts from BDO, Moneybox, Adarga, Triptease, Pointillist, We Are Social, and Receipt Bank for their time in sharing their insights and experiences within and outside of the wealth management industry. Finally, yet importantly, we extend thanks to our willing wealth advisors and in-industry specialists for their candid feedback on these three important topics.



Philipp Zerhusen

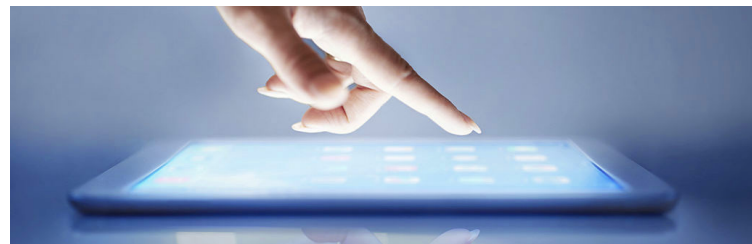
VP, Director, Market Development, FactSet





ways advisors  
should approach  
technology to  
deliver enhanced  
value to end  
investors ›





01.

#### **LEARN FROM INDUSTRY DISRUPTORS BY USING GREAT DESIGN TO BUILD TRUST**

Carefully crafted visual interactions and digital user experiences can help build recognizable brands and increase client confidence in new solutions. Differentiation in the wealth industry is difficult to discern, so firms should enhance their design to remain competitive and generate trust.

02.

#### **EMBRACE NEW TECHNOLOGIES THAT ARE TRANSFORMING FINANCIAL DECISION MAKING**

Seventy-three percent of clients feel that emerging technologies (such as smartwatches and wearable tech) could help them achieve their financial goals. Wealth management firms should ensure that investment insight is optimized for consumption on the go and through different devices.

03.

#### **WEALTH MANAGERS MUST WORK HARDER IF THEY ARE TO BE HEARD BY CLIENTS**

Investors are swamped with online information from multiple financial and non-financial brands. To be effective, firms should adapt their approach to clients' changing attention spans, which means delivering bite-size and real-time portfolio insights that have been tailored to their interests.

04.

#### **INVESTOR EDUCATION IS CRUCIAL TO IMPROVING UNDERSTANDING OF INVESTMENT PERFORMANCE**

Over half of self-directed and two thirds of advisory investors lack full confidence in their ability to leverage information from their wealth management platform. Firms must get better at explaining how to use these investor resources if they are to be valued inputs in their decision making.

05.

#### **SIMPLE PRESENTATIONAL CHANGES WILL IMPROVE ENGAGEMENT WITH INVESTMENT INSIGHTS**

A majority of clients (59%) find it difficult to discern the key points from graphs and charts used by their wealth managers. Top of their wish lists are straightforward changes, such as a succinct market summary, interactive portfolio tools, and a highlighted set of actions to be taken on their investments.

Visualization techniques have been shown to add value and build trust with wealthy investors, and can be the key to remaining competitive for advisors.



Advisors must consider how to support their trusted advisor status with an online interface and harness the principles of data visualization to turn their insight into intelligence.



## INTRODUCTION

What do industry disruptors like Netflix, Uber, and Airbnb have in common? These firms are famous for collecting huge volumes of customer data, advanced analytics, and the fact that clients can shape their own customer journey.

But what about the importance of good design in bringing these components together? Carefully crafted visual experiences have helped these firms build recognizable brands and generate trust and confidence in radically new products and services.

"Luck and timing aside, I've learned that you can take the components of trust, and you can design for that," commented Airbnb founder Joe Gebbia during his 2016 TED Talk. "Design can overcome our most deeply rooted stranger-danger bias. And that's amazing to me."

Our latest study with 877 end-investors from four financial hubs indicates that, for wealth managers, using design and visualization to add value and generate trust is vital to remaining competitive. Not least because the industry is ripe for disruption; challenger banks and robo-advisors have altered the relationship management model by offering online-only wealth management at scale. While these solutions will not be attractive to all clients, their very existence is changing expectations about what clients want to see when it comes to a digital experience.

Over the last three years, our research<sup>1</sup> has shown that even traditional wealth firms that rely heavily on the personal relationship as a source of differentiation must consider how to support their trusted advisor status with an online interface. This means making real-time investment, market, and performance data available to clients and harnessing the principles of data visualization to turn that insight into intelligence.

<sup>1</sup> See FactSet and Scorpio Partnership, "The Culture Challenge: HNWIs' Vision for the Wealth Management Industry in the Information Age" (2016) and "The Resilience Agenda: The Wealth Manager's Guide to the New Era of Volatility" (2017).



57%

of Early Adopters are  
already actively engaging  
with smartwatches

The interactions investors  
have with the digital world  
are having a transformative  
effect on the way they  
perceive their financial  
management.

73%

of clients feel that emerging  
technologies can help  
them achieve their  
wealth goals

65%

of Digital Phobics  
regularly use a tablet





## SWITCH ON TO ONLINE COMMUNICATION

As a participant in FactSet’s recently hosted New York roundtable commented, wealth managers possess hugely important data that can add real value to a client’s financial decision making. However, most firms fail to embrace the requisite technology to deliver information and make it part of their value proposition.

“If you consider how the fitness industry has turned galactically unimportant information, like the hours of sleep or the number of steps taken yesterday, into information which millions of people crave every morning—why would they not be interested in a short, succinct, and relevant digital report of their financial status?”

One of the most frequent pushbacks among wealth firms is the assumption that clients are averse to using technology. However, even Digital Phobics<sup>2</sup>—those who typically avoid using technology to support their wealth management—are already experimenting with digital tools in day-to-day life [Figure 1].

Two thirds of Digital Phobics regularly use a tablet, and 41% of them have a smartphone. With even these most digitally averse individuals harnessing technology, wealth firms will need to ensure that their technology platforms are compatible across different devices and user-friendly for when less digitally savvy customers start to explore what is available online.

This will become even more important as newer technologies gain further traction. Smartwatches, wearable devices, and digital assistants, which have become established among Early Adopters, are set to become even more popular. For instance, a third of survey respondents anticipate that their usage of smartwatches will increase in the next five years.

The interactions investors have with the digital world are having a transformative effect on the way they perceive their financial management. Seventy-three percent of clients feel that emerging technologies can help them achieve their wealth goals. The greatest potential is seen among those who have some autonomy over their financial decision making through an advisory or self-directed wealth management relationship.

Yet even among discretionary clients, a majority agrees that new digital tools could support their objectives. Ideally, digital delivery should offer space to build financial confidence among all investor types.

**Q** **FIGURE 1: For Early Adopters, wearable tech is in vogue**  
Which of the following technologies do you engage with on a regular basis?

	EARLY ADOPTERS	DIGITAL FOLLOWERS	DIGITAL LAGGARDS	DIGITAL PHOBICS
Desktop computer	92%	79%	78%	63%
Laptop	90%	78%	73%	60%
Tablet (e.g., iPad, Kindle)	85%	81%	72%	65%
Smartphone	85%	66%	58%	41%
Smartwatch	57%	32%	31%	10%
Wearable technology other than smartwatches	50%	33%	23%	14%
Digital assistant (e.g., Alexa, Siri, Cortana)	49%	28%	20%	14%
Virtual reality headset (e.g., HTC Vive)	44%	26%	14%	7%

<sup>2</sup> See our digital profiles on page 19-20.

**FACTSET** › SEE THE ADVANTAGE

## **DISTILL INSIGHT TO ENGAGE**

A side effect of device usage is the changing attention span of clients.

Ross Taylor is an account director at We Are Social, a strategy and creative agency that develops advertising campaigns on behalf of globally renowned brands. “Speed is the key thing now,” he asserts. “When we are devising campaigns on behalf of our clients, we have to bear in mind that consumers will now only look at an advert for a couple of seconds.”

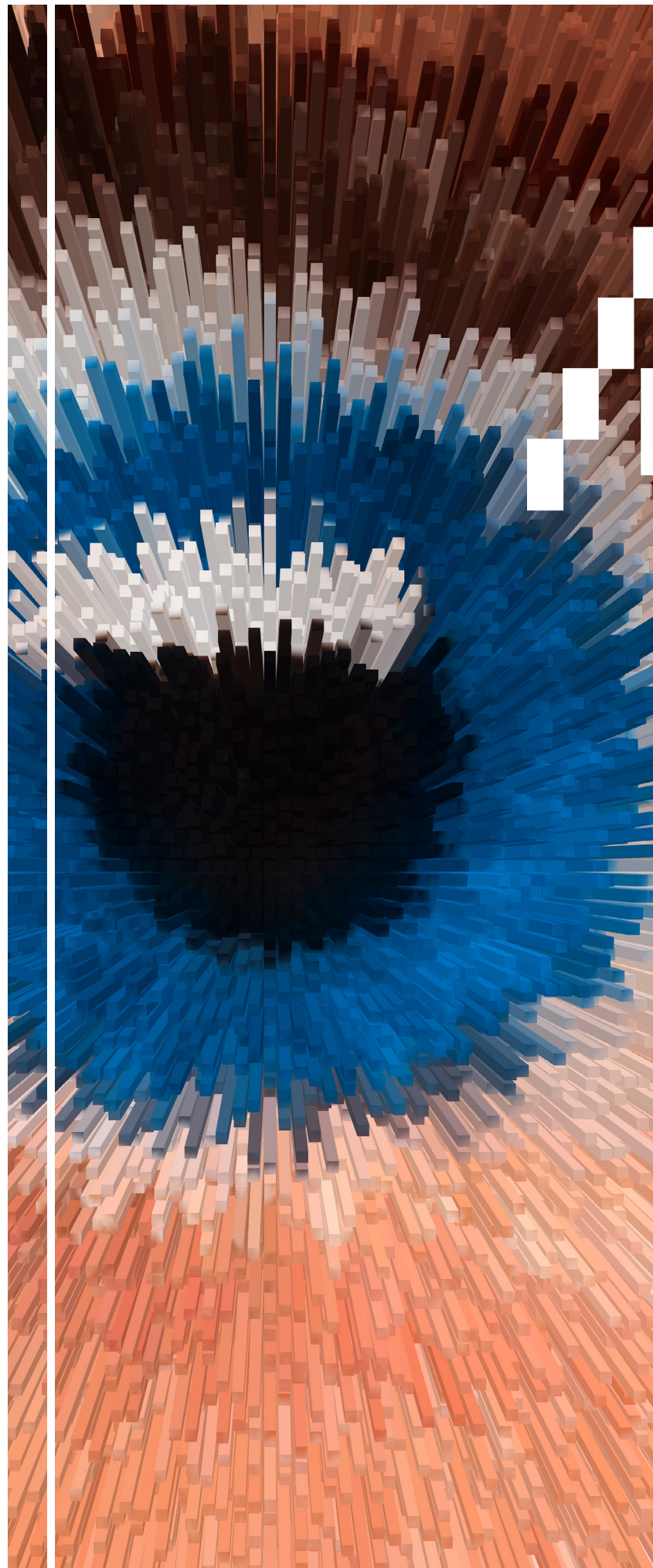
“More recently, artificial intelligence has enabled brands to micro-target their adverts to ensure they only reach relevant audiences,” he adds. As a result, consumers are now becoming used to seeing content that is highly relevant to them.

The key message for wealth managers is that expectations are being shaped by interactions with retail brands; undoubtedly, that impacts how they want to engage with their current advisors. With investors swamped by information from multiple financial and non-financial brands, wealth firms must work harder to engage their attention and deliver content that stands out.

We asked survey respondents how they would prioritize spending on technology if they were chief executive of a wealth management firm for the day. Most investors reference capabilities that would facilitate more efficient, tailored, and real-time delivery of information to them [Figure 2].

For example, one Singaporean investor suggested that artificial intelligence should be harnessed to forecast future investment growth. A wealth client in the U.S. believed quarterly comparisons of portfolio assets to those that were recommended but not chosen would be helpful, while a Swiss investor felt that insights adapted to portable technologies would be desirable.

Gordon Farquharson is Head of Business Insight and Analytics at accountancy software firm Receipt Bank, which was selected as one of the UK’s “Future Fifty” technology companies in 2017. He believes the key to driving engagement online is creating a flexible digital experience to unearth the exact needs of different client segments.







The key message for wealth managers is that investor expectations are being shaped by interactions with retail brands; undoubtedly, that impacts how they want to engage with their current advisors.

“The customer journey which your clients take right now is a byproduct of the way the platform has been built,” Farquharson states. “Until you allow your customers to take any journey that they want, you won’t work out what the optimal customer journey looks like. You need this information to create a customer journey that is efficient, appealing, and understood.”

Among our survey respondents, 49% had an advisory wealth relationship, 30% were self-directed, and 21% were discretionary. To Farquharson’s point, the desired digital customer journey for these different investor types is strongly shaped by the nature of their wealth relationship.

Naturally, self-directed and advisory investors believe the core function of the investment platform is to empower autonomy over financial matters. These clients place significant importance on being able to undertake end-to-end investor activity online. For those in advisory relationships, clear comparison between different investment products is critical, while self-directed clients value a whole host of content, including open access to different products and knowledge from specialists.

By contrast, discretionary investors place emphasis on mirroring the bespoke elements of their personal relationship online. Specifically, 45% of these investors view tailored investment advice as an essential feature of a digital platform, and an equal proportion believe interactive planning tools are necessary to support progress to goals.



# 45%

Discretionary investors view tailored investment advice as an essential feature of a digital platform.





## FIGURE 2: Clients have a go at being CEO

Imagine you are the CEO of a wealth management firm. How would you prioritize investment in technology to deliver a more personalized service to clients?



### UNITED STATES

"I would like to prioritize the operation of an application that daily summarizes my finances and their management."

"Quarterly comparisons of portfolio assets to those that were recommended but not chosen."

"Financial simulator and online tutorials."



### SWITZERLAND

"Portable technology such as smartwatches and mobiles for information on asset allocation analysis."

"Various platforms and tools on the internet to show the priority investment options and methods."

"More interactive tools that will help achieve a more valued portfolio for a better return on investment."



### UNITED KINGDOM

"A ticker system to highlight investment progress in real time."

"Real-time prices and changes."

"Transparency about conflicting interests of advisors, e.g., payments to promote certain products."



### SINGAPORE

"A very customized platform where clients can provide feedback and make changes immediately."

"Adopting AI for generating models to forecast future investment growth."

"Status update on spot forex and cryptocurrencies."



## DELIVER ON INFORMATION DELIVERABILITY

Despite the importance of insight to the online experience, our results indicate that when it comes to digital delivery, wealth managers are currently falling short. Only a minority of investors express high confidence that they can leverage the data provided by their wealth management firms online to make investment decisions.

Over half of self-directed investors and roughly two thirds of advisory investors lack full confidence in their ability to harness information from their wealth management platform, leaving them worryingly at risk of misalignment with their desired investment strategy [Figure 3].

Even for discretionary clients, the significance of delivering quality investment information online should not be underestimated. As firms seek to add value to clients beyond investment performance, investor education will become a crucial differentiator.

As a participant at FactSet's Zurich roundtable asserted: "Does my client, who potentially is not in the finance industry, actually understand what risk and return means and all of the detailed analysis that I offer them? I suspect the simplification of what our complex instruments and portfolio optimization models mean is part and parcel of what we need to do in order to provide a better service to clients."

For discretionary investors, quality insight can facilitate learning about their financial picture and help them to assess their progress to their goals. However, just one in five discretionary clients is extremely confident that they can leverage the information provided by their wealth manager online, highlighting how far the industry must go before these aspirations can become a reality.

As firms seek to add value to clients beyond investment performance, investor education will become a crucial differentiator.



**FIGURE 3: Clients lack confidence when leveraging investment insights**

How confident are you that you can leverage the information provided by your wealth manager on your online platform to make investment decisions?

**48%**

OF SELF-DIRECTED  
INVESTORS ARE  
EXTREMELY  
CONFIDENT

**34%**

OF ADVISORY CLIENTS  
ARE EXTREMELY  
CONFIDENT

**22%**

OF DISCRETIONARY  
CLIENTS ARE  
EXTREMELY  
CONFIDENT



Two thirds of investors feel that their wealth managers should be doing more to visualize the information they provide.



REMEMBER THAT PRESENTATION MATTERS

A byproduct of today’s data-driven world is the growing importance of visualization to help both businesses and consumers draw more meaningful conclusions from the information in front of them. This is a clear priority for wealth firms, given that two thirds of investors feel that their wealth managers should be doing more to visualize the information they provide.

Specifically, 59% of clients state that they find it difficult to discern the key points from graphs and charts, rising to 63% among advisory and self-directed investors [Figure 4]. Clearly, wealth managers need to do more to distill complex information for clients.

Firms outside of the wealth sector are already using data visualization in diverse ways to create more impact for both their businesses and their clients.

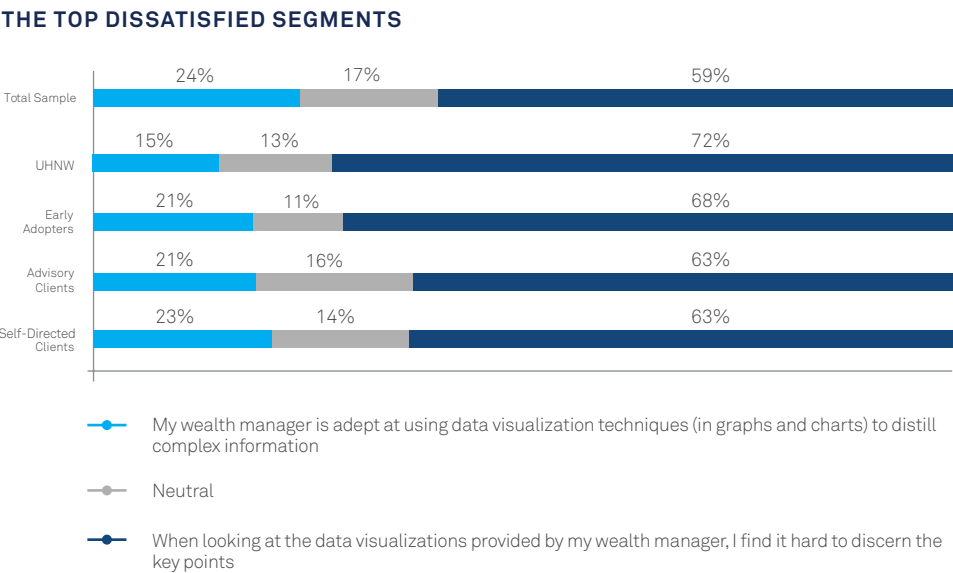
As Farquharson attests, data visualization has been an important way to both grow his firm’s business (+100% in the last six years) and assess the quality of its product. “We undertake machine learning to improve our reading capability of receipts when automating data entry. We immediately classify those receipts and we use visualization to see how close our classification is. So we are constantly driving improvements to our system.”

Similarly, Taylor states that data visualization enables We Are Social to effectively report performance metrics for major global social media campaigns back to clients. This could be in the form of word clouds that capture frequently used terms and phrases to describe a brand, or charts that highlight campaign effectiveness.

“I believe a lot of people are really visual. If you shower them with numbers, then it can be really hard to digest. But when you visualize the data, it makes it a lot clearer and it is a lot easier to action those insights,” he says.

Investors believe that presentational changes could be transformative to their interaction with investment information and their ability to manage their own wealth.

**Q** **FIGURE 4: Wealth managers fail to provide clients with a clear picture**  
How would you rate your wealth manager at distilling complex information with the use of data visualization techniques?



Data visualization can be a key way for firms to improve their insight delivery and drive trust and engagement with customers.



At the top of investors' wish lists is a simple one-pager that highlights key developments in the markets [Figure 5]. A participant at FactSet's recent roundtable in London highlights the startling lack of innovation when it comes to developing reports that are digestible and engaging for clients.

"I've seen some interesting approaches to client reporting that integrate video with graphics into traditional reporting. I think the future is there somewhere."

Alongside this is the requirement for more interactive tools to analyze and visualize portfolio performance.

Advisory clients make the largest range of requests for visualization improvements, ranging from infographics that show investment ideas to tabular information on portfolio performance. Geographically, Singaporean clients are shouting the loudest.

Data visualization can be a key way for firms to improve their insight delivery and drive trust and engagement with customers. A key aspiration should be ensuring that the digital touchpoint reflects the values of quality, knowledge, and trust that clients receive from their advisors.

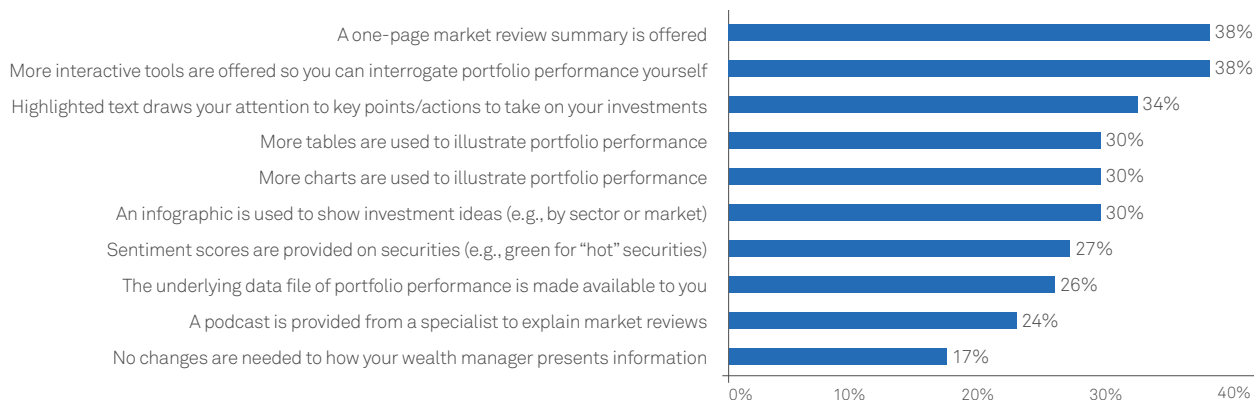


At the top of investors' wish lists is a simple one-pager that highlights key developments in the markets

Q

**FIGURE 5: Presentation is (almost) everything**

Would any of the following presentational changes improve your engagement with information about your investments?





## INVESTOR DIGITAL PROFILES

Our research highlights a new set of profiles based on respondent readiness to adopt new technology in wealth.

### EARLY ADOPTERS

“I like to be one of the first to trial and use new technology in wealth management.”

#### PROFILING INFORMATION

Average age: 37  
Average net worth: \$5.82M  
Technology Usage:  
• Laptop  
• Tablet  
• Smartphone  
• Smartwatch  
Attitude toward sharing  
personal info: ●●●●

#### KEY DIGITAL REQUIREMENTS

- Security
- Customization
- Optimization
- Experience

#### TOP EXPECTATIONS

- Guidance and execution functionality
- Interactive tools to assess their wealth and portfolio performance

#### TOP PAIN POINT

- Information feels insufficiently customized to their interests and goals



### DIGITAL FOLLOWERS

“I’m not the first to use technology in wealth management, but instead become a user once technology has become well established.”

#### PROFILING INFORMATION

Average age: 44  
Average net worth: \$4.28M  
Technology Usage:  
• Laptop  
• Tablet  
• Smartphone  
• Smartwatch  
Attitude toward sharing  
personal info: ●●●○

#### KEY DIGITAL REQUIREMENTS

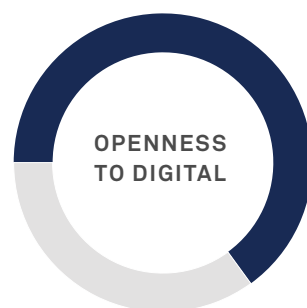
- Security
- Customization
- Optimization

#### TOP EXPECTATIONS

- Automatic rebalancing of their portfolio alongside real-time analysis
- A platform that helps them find suitable products

#### TOP PAIN POINT

- Performance data on their platform is not easy to understand or analyze





## DIGITAL LAGGARDS

“I tend to be one of the last to start using new technology after it is well introduced in wealth management.”

### PROFILING INFORMATION

Average age: 48  
Average net worth: \$3.77M  
Technology Usage:  
• Laptop  
• Tablet  
• Smartphone  
Attitude toward sharing  
personal info: ●●○○

### KEY DIGITAL REQUIREMENTS

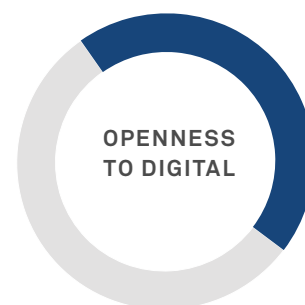
- Security
- Customization

### TOP EXPECTATIONS

- Product recommendations based on similar investor behavior
- Visualization of portfolio information from their advisor

### TOP PAIN POINT

- Their online platform is not user-friendly



## DIGITAL PHOBICS

“I try to avoid using technology to manage my wealth.”

### PROFILING INFORMATION

Average age: 50  
Average net worth: \$4.3M  
Technology Usage:  
• Laptop  
• Tablet  
• Smartphone  
Attitude toward sharing  
personal info: ●○○○

### KEY DIGITAL REQUIREMENTS

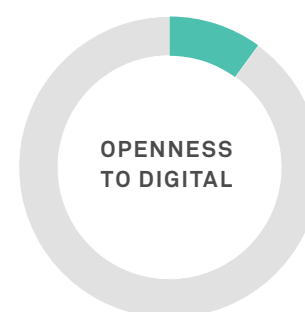
- Security

### TOP EXPECTATIONS

- Simple account dashboards
- Frequent, quality insight that is visually appealing

### TOP PAIN POINT

- Their online platform does not feel sufficiently secure







## CONCLUSION

One of the primary barriers for the wealth industry when it comes to embracing digital tools is the importance of the personal relationship in delivering value to clients. It is widely believed that technology should provide a functional, supporting role, while the relationship manager offers the much-needed human touch.

While it is true that the emotional intelligence of a personal advisor cannot be replicated, technologies that complement this relationship should still strive to stimulate the senses. Wealth firms should aspire to ensure that everything clients see when they engage online serves to generate greater trust and confidence in their firm, regardless of whether clients have an execution-only, advisory, or discretionary relationship.

Private investors want to see a dynamic, real-time solution that distills key messages to better achieve their wealth goals. They want to be empowered to think with clarity and confidence about their wealth through insight that educates. And they want to feel engagement and trust with every touchpoint at their wealth management firm, whether human or digital, with concise intelligence that tells a clear story.

By harnessing visualization and design techniques to manage information delivery, wealth firms can build stronger, long-term relationships in the age of digital disruption, and remain agile and competitive.

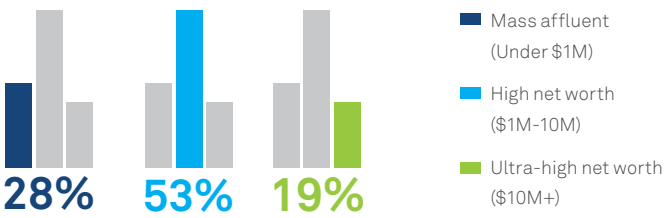
By harnessing visualization and design techniques to manage information delivery, wealth firms can build stronger, long-term relationships in the age of digital disruption.

## METHODOLOGY

To support this white paper series, FactSet and Scorpio Partnership conducted an online survey with 877 investors in March 2018. The participants were independently sourced residents of the U.S., the UK, Singapore, and Switzerland. Average net worth was \$4.88 million.

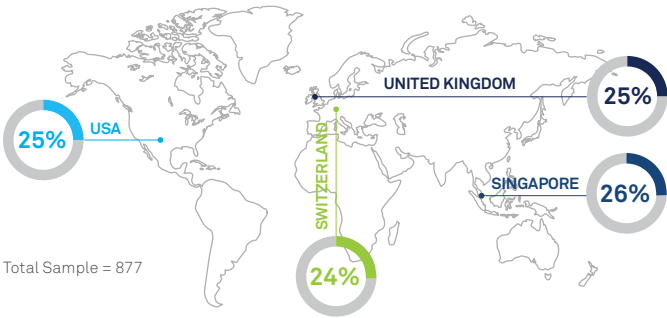
Interviews were conducted with 10 technology experts at some of the most innovative businesses in retail, hospitality, financial services, recreational, and business software to forecast how trends in digital transformation could be applied to wealth management. We gained the industry perspective from roundtables in three locations (Zurich, New York, and London), attended by key decision makers from wealth management firms.

### NET WORTH



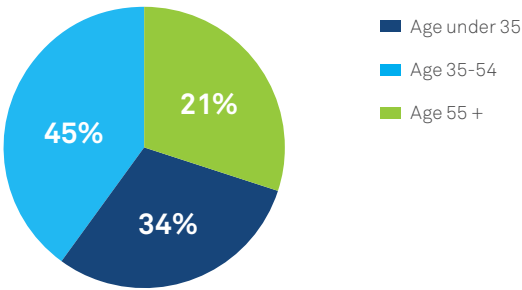
Total Sample = 877  
Average net worth of total sample = \$4.8M

### SAMPLE SIZE

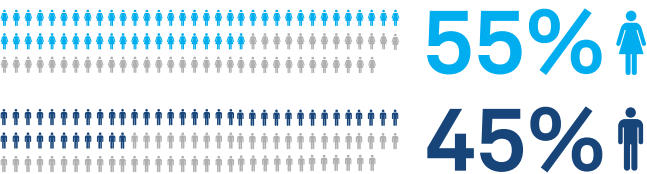


Total Sample = 877

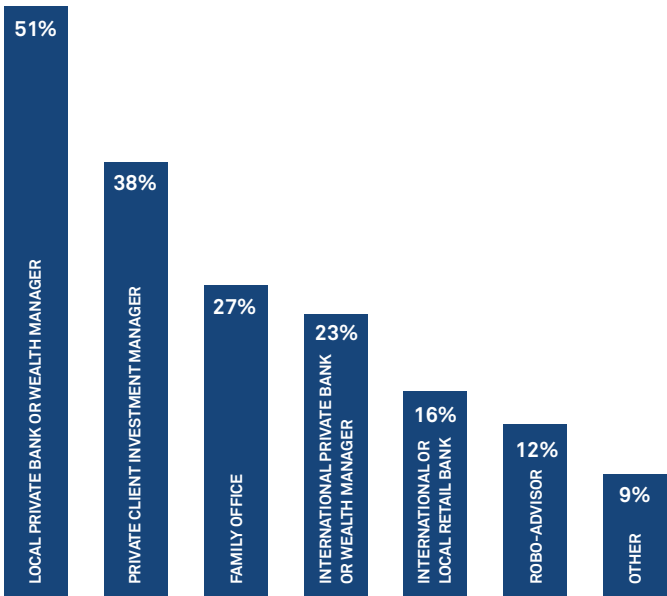
### AGE



### GENDER



### TYPES OF WEALTH FIRMS USED





### FactSet Research Systems

FactSet creates flexible, open data and software solutions for tens of thousands of investment professionals around the world, providing instant access to financial data and analytics that investors use to make crucial decisions.

For 40 years, through market changes and technological progress, our focus has always been to provide exceptional client service. From more than 60 offices in 23 countries, we're all working together toward the goal of creating value for our clients, and we're proud that 95% of asset managers who use FactSet continue to use FactSet, year after year.

To learn more about FactSet's solutions for financial advisors, visit [www.factset.com/wealth](http://www.factset.com/wealth).

**FACTSET** › SEE THE ADVANTAGE

### Scorpio Partnership – An Aon Company

Scorpio Partnership is a leading insight and strategy consultancy to the global wealth industry, owned by Aon plc.

We specialize in understanding high net worth individuals and the financial institutions with which they interact. We have developed four transformational disciplines – SEEK, THINK, SHAPE, and CREATE – each designed to enable business leaders to strategically assess, plan, and drive growth. These include market research studies, client engagement programs, brand assessments, and business intelligence initiatives.

Scorpio Partnership has conducted more than 450 global assignments across wealth for institutions in the banking, fund management, family office, law, trust, regulation, technology, insurance, and charity sectors. During these assignments, we have interviewed over 100,000 private investors and advisors.

For more information go to [www.scorpiopartnership.com](http://www.scorpiopartnership.com).

scorpiopartnership  
what wealth needs next



[www.factset.com](http://www.factset.com)