

# Why client lifecycle management should be a priority for wealth managers

by Phil Cranfield, Wealth Solutions Lead,  
Amit Gupta, Program Director  
and Steve Petrie, Director, Head of Product Consultancy, CLM solutions

## In brief

- Investors want simple, reliable and easy-to-use digital advice. Luxoft helps firms and advisors be more proactive, creating and supporting a customer-centric, end-to-end and multichannel client lifecycle management (CLM) process
- Meeting regulatory demands is costly, but non-compliance can set you back almost three times as much in the long run
- Artificial intelligence (AI) and machine learning (ML) help wealth managers identify which clients represent the best growth potential, which to maintain and which to disengage from, increasing revenue and growing the business

Wealth management (WM) and private banking cover a wide range of diverse products and services. So, coping with volatile markets, regulatory complexity and ever-changing client requirements can prove extremely challenging.

Take the mass affluent, for instance. This is the largest wealth segment in the United States, with investable assets ranging from \$100,000 to \$1,000,000 and comprising the G.I. Generation, the Silent Generation, Baby Boomers, Gen X, and Millennials. It accounts for almost 50% of assets under management (AUMs) across all client segments (covering mid-career and pre-retirement clients).

Importantly, this segment is in line to receive the largest intergenerational wealth transfer in history — \$72.6 trillion — by 2045. Exceptional CLM is vital for capitalizing on this tremendous opportunity.

## Give clients what they want

Due to the mix of generations in this segment, investors have a wide range of needs, which complicates the serving process. In terms of experience and accessibility, they're looking for simple, reliable and easy-to-use solutions. They want multiple access points that include face-to-face, in-branch, online and digital engagement.

Firms that deliver optimized customer experiences at different client life stages will be well-positioned for

the future. There's great scope for engagement too. In a detailed survey, the **ASPPA** found that only 25% of Americans had a written financial plan to keep them on track to reach their goals, and more than 84% indicated they needed financial advice to develop both a goal and a plan. **CIO office** messaging can prove helpful to clients with a managed account portfolio, unlike self-directed clients (unless an advisor provides appropriate context.)



# Challenging issues

That said, due to the breadth of this segment, less than half of all wealth managers reach out to these clients. And advisors who do engage tend to focus on short-term, reactive customer management like easing clients' nerves, reviewing short-term liquidity goals and adjusting spending rates in case of a cash flow emergency (such as potential job loss).

To become more proactive, firms and advisors must create and support a customer-centric, end-to-end, and multichannel CLM process in addition to meeting internal compliance and operational requirements. Here are some of the standard pain points relationship managers need to address:



## Client journey

- Lack of visibility
- Too many interactions and requests for the same documents
- Slow time-to-trading
- Slow time-to-add-products, geography



## Regulatory compliance

- Unsecured regulatory compliance and controls. Achieving regulatory compliance is a demanding and complex task with inconsistent rules across jurisdictions
- Risk of mistakes due to too many manual interventions



## Operational risk

- Bottlenecks in workflows due to the human element in gathering, checking and validating data results
- Irregular processes across teams
- Lack of control and inconsistency when a case is moving from one team to another



## Client data

- Client data, inconsistent data formats and data integrity issues arising from legacy processes and system architecture
- Lack of fluidity in the data flow
- Lack of usage of data for analytics



## Overall client view

- Lack of harmonization between geographies and business lines, preventing passporting, up/cross-selling
- Dislocated and inconsistent structure of client data, raising issues in compliance and risk monitoring
- Slow time-to-add-products, geography



## System architecture

- Too many systems, too expensive and not always used for functionalities
- Lack of monitoring of the technological stack and interoperability
- Lack of innovation

Core banking systems and apps are routinely patched to meet prevailing business conditions, causing extra complexity and fragmentation. Consequently, this confusion often elbows CLM to one side. So, firms must refocus and prioritize the discipline to attract new investors and avoid churn.

Wealth managers can increase their challenge options with modern technological solutions that provide extra benefits. Fortunately, replacing legacy technology delivers reduced TCO, automated efficiency, extended CLM workflow and better business outcomes.

CLM systems form a critical bridge between the front office, which manages customers, and the back office, responsible for internal know-your-customer (KYC) processes. These systems align disparate services and process/value-chain elements, resulting in a seamless digital offering that delivers convenience, personalization and cross-channel accessibility.

Furthermore, CLM systems greatly enhance the efficiency and connectivity of compliance teams. Key facets of compliance policies and controls can be incorporated directly into the CLM system, fostering improved communication with both front- and back-office teams. This integration empowers compliance teams with a swifter, more robust means of overseeing and monitoring activities, further emphasizing the pivotal role of CLM in today's wealth management landscape.

Customers need the ability to self-serve with a single point of contact for provider communication and remote management of their investments. Personalization through technology at scale (what's seen or offered to the client) or functionally (access to discreetly shared products) is crucial.

## Compliance

### Faster, bigger, better = heavier compliance burden

- // The push toward faster payments reduces the time available to detect fraud and suspicious transactions, potentially compromising data privacy/security and financial crimes compliance and increasing the need for strong third-party risk management.

## KPMG

Regulatory compliance is another crucial focus, for example, anti-money laundering (AML) and KYC sanctions. But compliance doesn't come cheap. An independent study put the average cost at around **\$30.9 million** a year. However, even that kind of expenditure doesn't solve the compliance issue completely.

## Compliance regulations considered most difficult to achieve

**90%**

GDPR

**55%**

PCI DSS

**65%**

US State Laws

**65%**

HIPAA/HiTech

A recent McKinsey benchmarking survey revealed that worldwide non-compliance between the 2008 financial crisis and 2018 led to fines and losses topping **\$300 billion**. And since 2018, regulators have issued more than 1,000 penalties for GDPR alone — the most significant include Meta (**€1.2 billion**, contested), Amazon (€746 million), Facebook (€265 million), WhatsApp (€225 million) and Google (€90 million).

The size of these penalties demonstrates the tremendous hold that regulatory compliance has on every business, from the most niche company to the world's most influential organizations. The problem is that a typical financial services institution deals with a staggering number of pages of regulations and hundreds of daily regulatory developments.

## Following the rules is much cheaper in the long run

### Non-compliance costs 2.71 times as much as being compliant

More than

**2x**

Non-compliance Costs	\$14.82 million
Compliance Costs \$5.47 million	

These ever-increasing regulatory and compliance commitments are forcing financial institutions to collect more and more client data and documentation. This is having a significant effect on operational efficiency, RTB/CTB budgets and the customer experience.

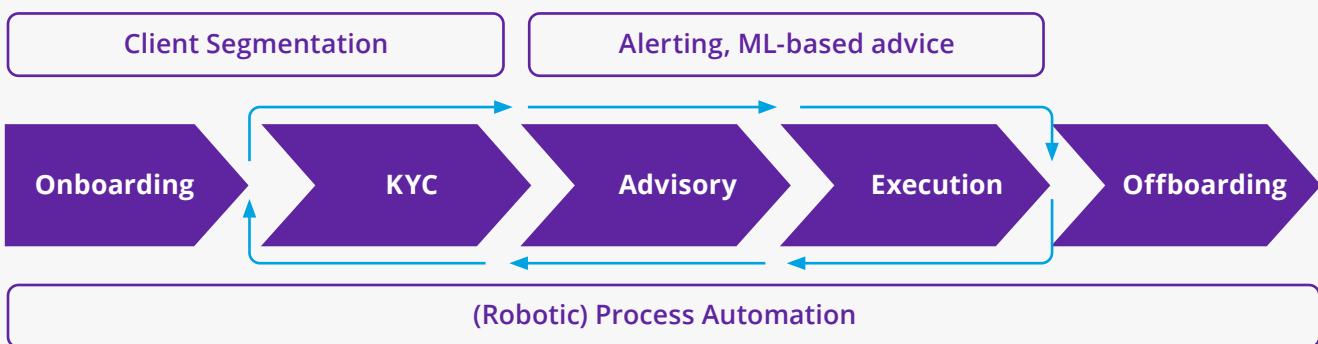
Add to that siloed client data and archaic legacy systems, and you have a roster of persistent inefficiencies — lengthy onboarding times, repeated client outreach and manually intensive processes — which further erode the customer experience.

So, along with regulatory compliance, CLM should be treated as a major priority: a core function for managing, tracking and responding to client needs from onboarding to maintenance, regular reviews and offboarding across various operational lines and disparate teams using different technology solutions.

## AI in wealth management

Advances in artificial intelligence (AI), machine learning (ML) and digitalization in general enable wealth managers to tailor automated investment advice to individual clients. Robo-advisors are prominent examples of this trend.

### Wealth management value chain showing where AI can be utilized



Lifted from "AI Wealth Wealth Mgmt v8", 6 September 2022.

**Robotic process automation (RPA).** RPA and AI allow the automation of higher-order processes (e.g., chatbots helping onboard potential clients and executing self-service processes or machine learning). It automates error detection and correction during the extraction, validation and digitization of large volumes of data.

**Client segmentation.** AI and ML enable the creation of holistic client models. These models help wealth managers increase revenue and grow their businesses by identifying which clients represent the best growth potential, which clients to maintain and which to disengage from.

**Monitoring, alerting and cross-selling.** For example, recurring payments for baby essentials would raise an alert to discuss funding savings plans for children. Similarly, past disengagement behavior enables AI to identify clients with a high churn risk in time for a preemptive meeting.

**Robo-advisory.** Robo-advisors run on AI algorithms. For example, natural language processing (NLP) can help with sentiment analysis of social media posts and analyzing annual reports or news sites. Neural networks can predict stock returns before ML identifies the most relevant variables for those predictions.

Overall, AI enables tailor-made proposals across all asset classes. ML allows wealth managers to drop the standard one-size-fits-all approach for securities. It can provide relationship managers with opportunities according to the client's risk appetite and personal situation.

# Luxoft, the industry's trusted CLM partner

Luxoft's expertise in CLM and wealth management technologies helps avoid heavy regulatory sanctions by centralizing client needs and orchestrating institutional variety. AML and KYC remain a prime concern, and using manual or hybrid processes for the due diligence stages of onboarding and regular reviews presents a severe risk of error.

**Our CLM Solutions consulting team works with global and regional banks to:**

- Perform a holistic business and technical assessment and gap analysis
- Define business and technical CLM target operating models (TOM)
- Analyze performance and client data
- Transform end-to-end business processes
- Ensure the architectural flexibility and alignment of CLM and data models with core banking systems and other platforms
- Improve cross-team collaboration in a consolidated workspace
- Design front-to-back and end-to-end digital CLM journeys
  - Integrate CRM and CLM applications
  - Support customer portal and banking system integration

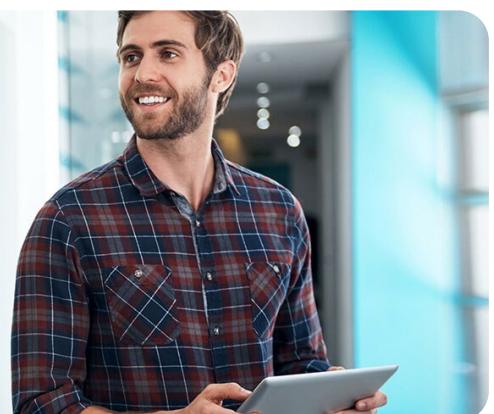
**We help organizations onboard clients faster (< 80%) while taking regulatory and AML/KYC compliance in their stride. We also enable organizations to:**

- Establish a coherent view of each client to improve the cross-selling potential
- Deliver cross-channel accessibility and faster time-to-revenue
- Generate greater operational efficiencies with straight-through processing
- Future-proof a frictionless, connected and self-service journey through the client lifecycle
- Implement a single compliance policy across multiple business lines and geographical jurisdictions in the fight against financial crime
- Bring new and existing data sources together

## User Experience

**Discover the benefits of partnering with Luxoft's CLM Practice**

[Learn more >](#)



Leveraging our 20 years of experience in vendor methodologies, frameworks, implementation and integration, our award-winning Vendor Solutions practice delivers superior service using Fenergo's platform, among others. The team has implemented several bespoke CLM transformation programs for Tier-1 institutions, covering everything from TOM and process reengineering to tool configuration and other client journey enhancements (e.g., data acquisition, AI, ML and RPA).

# Our CLM solutions and services

The Wealth Management industry is undergoing significant changes, which brings into focus key capabilities that will be needed to support wealth clients as they address shifting customer needs and market conditions.

Luxoft provides end-to-end CLM services from design to delivery, through functional requirements and technical integration, to agnostic product, multi-vendor and ad hoc developments.

## Wealth management themes

## How Luxoft can help

<b>Client journey</b>	<ul style="list-style-type: none"><li>Provide a CLM Health Check to identify pain points</li><li>Implement E2E CLM solutions</li><li>Define business and technical CLM target operating models (TOM)</li></ul>
<b>Digital transformation</b>	<ul style="list-style-type: none"><li>Define an F2B digital strategy that aligns business objectives to technology</li><li>Manage the execution of the digital strategy</li><li>Align data and overlaying analytics models</li><li>Integrate with existing operations</li></ul>
<b>ESG</b>	<ul style="list-style-type: none"><li>Define a data strategy based on ESG requirements</li><li>Choose tooling to execute the strategy</li><li>Build/integrate data repositories and analytic models</li><li>ESG reporting</li></ul>
<b>Hybrid advice</b>	<ul style="list-style-type: none"><li>Leverage AI/ML to provide client insights</li><li>Define client segmentation, map client needs end to end</li><li>Facilitate advisor matching based on client needs/preferences</li><li>Identify and implement robo solutions</li></ul>

## End-to-End Capabilities





## Case study — Swiss bank CLM transformation

A Swiss central bank needed to streamline processes, reducing the time taken for onboarding and generating revenue. In 2021, the bank's United States asset management division deployed its base solution via a tried-and-tested version of Fenergo's CLM software.

The bank engaged Luxoft to deliver the global rollout. The original scope consolidated the United States and Swiss platforms into a harmonized model, onboarding over 500 Swiss clients and enabling a multijurisdictional capability for rest-of-the-world deployment.

Functional and usability improvements involved a major software upgrade and integration with the bank's CRM system to meet end-to-end digital transformation objectives.

### Solution

The client targeted several agile transformation objectives for evaluation along with Fenergo technology plans.

- **Objectives and key results.** Prioritized, delivered and measured business value every quarter. We replanned the program and replaced traditional waterfall delivery with a more agile approach. The team provided a client advisory service with staff employed directly by the program sponsors to assist with CLM functional and operational assessment and to extract as much value as possible from the bank's investment

- **Infrastructure transformation.** We mobilized a group-wide program to migrate applications from legacy hosting to Azure cloud, with the Fenergo implementation running alongside. The team assessed the impact, advising our client on an infrastructure redesign and cloud transformation

- **Zero-touch deployment.** Associated with both reducing time to market and removing human error from processes, we scripted high-level automation, partnering with the bank's tech ops team and Fenergo

There was no precedent for change of this complexity. Despite many technical and organizational challenges, all parties quickly adapted to a constant stream of new information and hurdles, leading to successful implementation in September 2022. The platform provides a springboard for completing the bank's digital and agile transformation objectives.

## Why choose Luxoft for CLM?

Delivery capabilities	Expertise
<p><b>People</b></p>  <b>175+</b> CLM Solutions consultants, functional and technical	<p><b>Centers of Excellence</b></p> <div style="display: flex; justify-content: space-around;"><div>Customizations, configurations and integration</div><div>Data cleansing and migration</div><div>Post-implementation services</div><div>Test and automation</div><div>Integration accelerator</div></div>
<p><b>Credentials</b></p>  <b>14+</b> Active projects	<p><b>Solutions</b></p> <ol style="list-style-type: none"><li>1. KYC platform e2e implementation - powered by Fenergo</li><li>2. CLM transformation - from design to execution</li><li>3. Operating harmonization and synergy</li><li>4. System integration</li><li>5. Ad hoc onboarding and CLM design and setup</li><li>6. Test automation</li></ol>
 <b>10+</b> Clients	
 <b>5+</b> Years of experience	
<p><b>Partnerships</b></p>         	<p><b>Centers of Excellence</b></p> <p><b>Sourcing</b></p> <ul style="list-style-type: none"><li>• CLM talent acquisition across the globe, with a major nearshore delivery center in Poland and Romania and an offshore delivery center in India</li><li>• Hire and train approach to onboard into complex CLM systems</li></ul> <p><b>Training / upskilling programs / academies</b></p> <ul style="list-style-type: none"><li>• 100% certification</li><li>• Direct hiring, Academy programs and lateral training programs</li></ul>

# About the authors



## Phil Cranfield

Wealth Solutions Lead, Luxoft

Phil Cranfield has 20+ years of experience in IT delivery, strategy and management within multiple industries. His 8+ years within financial services have focused on helping top tier wealth managers and banks transform their IT estate and developing modern operating models to help deliver their strategic goals. Phil currently leads Luxoft's Wealth Management offerings team, which is responsible for designing go-to-market strategies, business critical solutions, and industry-based PoVs for Tier 1 wealth management organizations.



## Amit Gupta

Program Director, Luxoft

Currently focusing on expanding the Advisory offering within Banking & Capital Markets at Luxoft, Amit brings a wealth of experience to his role. His background spans across Operations, Technology, and HR, with significant experience working as part of Operations Management Committees for some of the world's largest global banks. Amit has successfully led large-scale transformation initiatives, driving cost and process efficiencies, orchestrating restructuring endeavors in Wealth and Private Banking, and managing operations for a Fintech-focused corporate venture capital fund.



## Steve Petrie

Director, Head of Product Consultancy, CLM solutions

Steve is a member of the CLM solutions management team within Luxoft's Banking and Capital Markets division; he's responsible for leading their global Product Consultancy team. He has over 25 years' experience in financial services, covering operational and technology roles across a wide range of clients, products and services. Over the last 10 years, Steve has worked exclusively within client lifecycle management and related KYC, AML and the financial crime compliance domain, he built up a wealth of experience through multiple projects. His main area of focus is the realization of business benefits for our clients by delivering on their operational and digital CLM transformations and application implementations.

## Let's talk client lifecycle management

If you'd like to dive deeper into why CLM in wealth management and regulatory compliance should be treated as major priorities, [visit our website](#) or [contact us](#).

## About Luxoft

Luxoft, a DXC Technology Company delivers digital advantage for software-defined organizations, leveraging domain knowledge and software engineering capabilities. We use our industry-specific expertise and extensive partnership network to engineer innovative products and services that generate value and shape the future of industries.

For more information, please visit [luxoft.com](https://luxoft.com)