

CELENT

# TOP TECH TRENDS PREVISORY: WEALTH MANAGEMENT

2024 Edition

November 2023  
Celent Wealth Management

A division of Oliver Wyman



# HOUSEKEEPING



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Ask us in the Q&A box at the bottom of your window and we'll address them at the end of the session or email you.



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# WE'VE COINED **PREVISORY** TO HIGHLIGHT OUR UNIQUE PERSPECTIVES

**Pre·view**<sup>1</sup> \ 'prē-,vyü

An advance statement, sample, or survey

**Ad·vi·so·ry**<sup>1</sup> \ əd-'vīz-rē

A report giving information  
(as on the weather) and often  
recommending action to be taken

**Pre·vi·so·ry**<sup>2</sup> \ 'prē-'vīz-rē

A forward-looking view of financial technology  
trends and advice on how to respond to them









Source:

1. Merriam-Webster.com

2. Celent, 2021

# WEBINARS IN THE SERIES

We're hosting eight webinars as part of this series covering top technology trends across financial services. [Register via celent.com](https://celent.com)

October 31 <sup>st</sup>		Risk
November 1 <sup>st</sup>		Wealth management
November 2 <sup>nd</sup>		Capital markets
November 7 <sup>th</sup>		P&C Insurance
November 8 <sup>th</sup>		Life insurance
November 9 <sup>th</sup>		Health insurance
November 14 <sup>th</sup>		Retail banking
November 15 <sup>th</sup>		Corporate banking



# INTRODUCTION AND TODAY'S SPEAKERS



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- **We are**
  - An **independent global research and advisory firm** offering unbiased information and advice on financial services technology
  - A division of **Oliver Wyman**, the leading global management consultancy, and part of **Marsh McLennan**, a global professional services firm
- **Our clients**
  - The entire **financial services ecosystem**: financial institutions, their technology and service providers, consultants, investors
  - **Technology and strategy leaders**, including CIOs, IT Architects, Heads of Lines of Business, Strategy, Innovation and more
- **Their needs**
  - Make **faster and more informed technology decisions** and respond to emerging IT trends
- **How we help**
  - **Research and advisory**: best practice case studies, technology primers, IT spending, trends analysis, vendor solution evaluation, analyst access
  - Extensive databases of **best practice technology initiatives** and **vendor solutions**
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 **OliverWyman**  **MarshMcLennan**

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# THE WEALTH MANAGEMENT OUTLOOK

Envisioning the new wealth management paradigm

Celent foresees 2024 as a pivotal year of innovation for the wealth management industry. Organizations will strive to embrace emerging technologies that will ultimately transform their tech stacks, all while cautiously spending on IT investments in light of a volatile macro environment.

The new wealth management paradigm is underpinned by tectonic shifts.

The wealth management ecosystem has changed: **wealth managers are no longer tied to a single platform from a single provider within a single industry.**



# MARKET LANDSCAPE

The market environment is increasingly complex as competition from fintechs, and other challengers vie for the retail customer

73%

Of wealth management respondents indicate that **“it is more challenging to win and retain customers than it was 12 months ago.”**

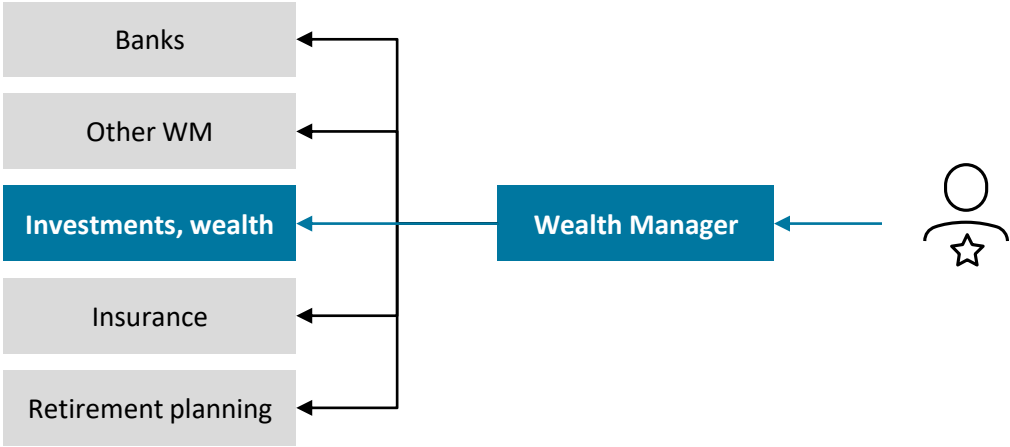
61%

Believe that there **is increasing competition from fintechs and other challengers** making customer acquisition/retention more difficult.

## Economic and Geo-Political Factors

- Macroeconomic difficulties are doubtless an important factor here, with many consumers pulling back from discretionary consumption and becoming more price sensitive.
- Wealth managers are facing a long-term shift in the macroeconomic environment marked by rising interest rates leading to a pullback in the equity and fixed income markets.
- Strong sense of pessimism regarding the global economy and uncertainty regarding a recession and slowing economic growth.
- A rise in nationalism, continued political uncertainty regarding the war in Ukraine and now Israel has led to greater political instability. Putting pressure on the broader global economy.

## FS Firms Race to Become the Delivery Hub



Base: All Wealth Management respondents (sample: 215)  
Question: Please indicate your agreement with the following statement: “Winning and retaining customers is more challenging than it was 12 months ago.”  
Source: Celent Technology Insight and Strategy Survey 2023



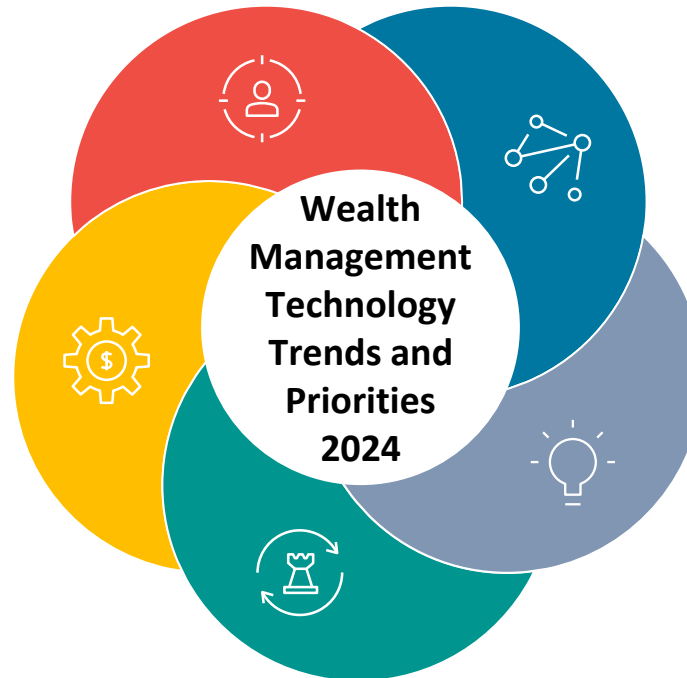
# ENVISIONING A NEW WEALTH MANAGEMENT PARADIGM WILL REQUIRE 5 FIVE CORE TECHNOLOGY BUILDING BLOCKS

## 1. Customizing and Streamlining Advisor-Client Journeys and Workflows

- Digitize omnichannel engagement, advice delivery options, and collaboration tools
- Overcome challenges with legacy technologies that underpin the “swivel chair” effect
- Unify data, make it actionable, and bring together user journeys across the value chain.

## 3. Converging Industries and Business Lines through Open Data Ecosystems

- Unbundle the wealth tech stack (e.g., “Wealth as a Service”) into modular components
- Embrace an API-first strategy, digital technologies, and multi-cloud architectures to breakdown silos and form a holistic platform
- Build a robust end-to-end solution that can serve a range of clients through new distribution channels



## 5. Securing the Enterprise and Protecting Data with Advanced Cybersecurity and Data Privacy Architectures

- Identify a holistic view of cybersecurity risk throughout IT and OT ecosystem, and its extended supply chain
- Utilize AI to automate security tasks, monitor network for suspicious activity, identify, and protect sensitive data
- Consider strategic partnerships with existing solutions to obtain data-driven insights that protect the enterprise, client data, and mitigate risk

## 2. Scaling Operations to Achieve Speed and Agility

- Expand wealth management services across the wealth continuum to a broader swath of clients
- Address inefficiencies in existing operating models, going from a monolithic architecture to a more API or cloud-enabled state
- Harness and monetize internal and external data

## 4. Integrating Emerging Technologies with Existing Solutions to Establish a Competitive Advantage

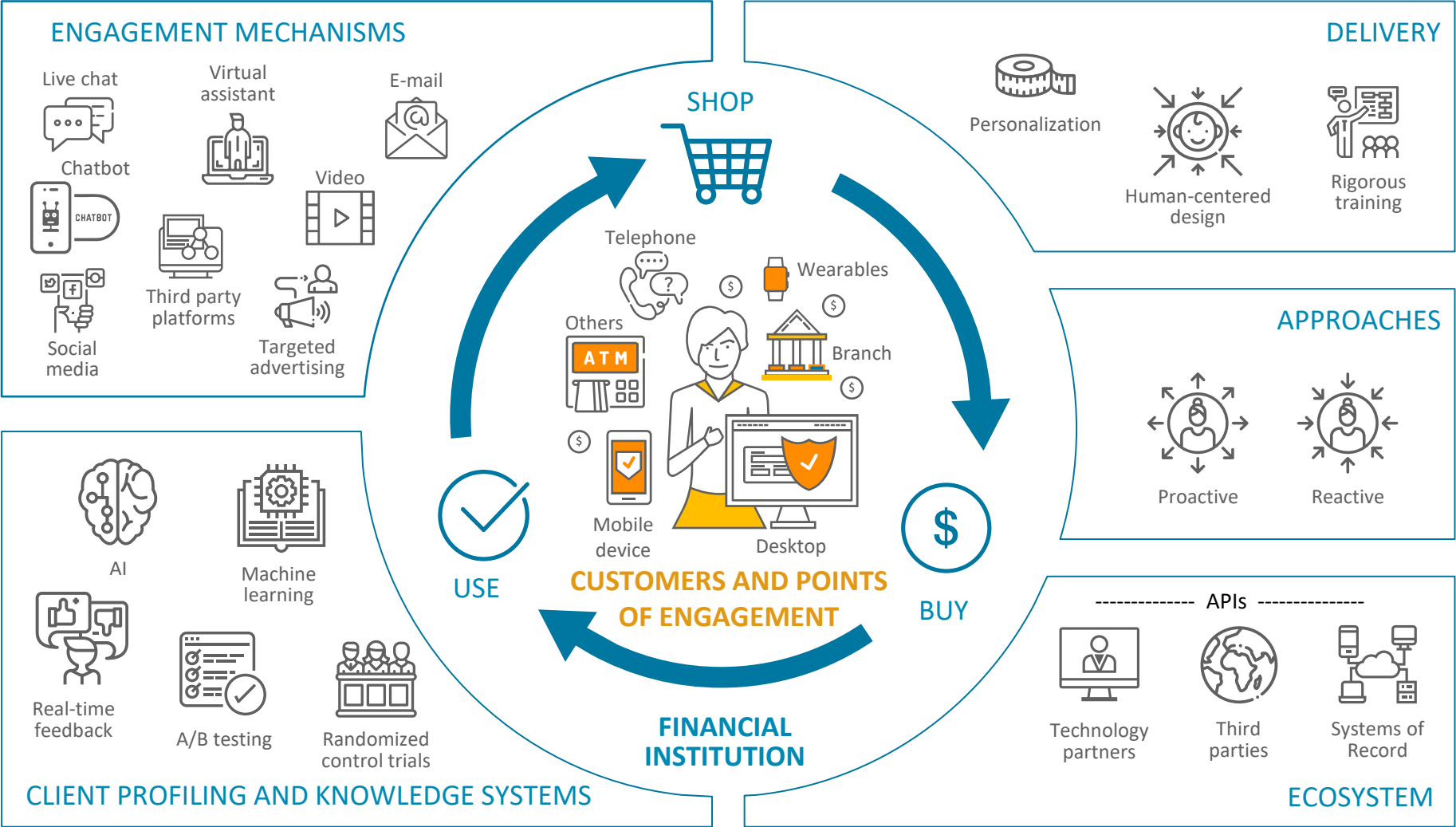
- Deploy emerging technologies (e.g., AI, quantum computing, metaverse) to amplify efficiency gains across the operating model and functional value chain, as well as reach new client segments
- Implement emerging technologies from a holistic viewpoint embedding into the value chain
- Combination of technologies will be a game-changer

# 01

## **CUSTOMIZING AND STREAMLINING ADVISOR-CLIENT JOURNEYS AND WORKFLOWS**

- Unify data, make it actionable, and bring together fragmented user journeys across the value chain
- Digitize omnichannel engagement, advice delivery options, and collaboration tools
- Overcome challenges with legacy technologies that underpin the “swivel chair” effect

# THE NEW WEALTH MANAGEMENT PARADIGM WILL BE EPITOMIZED BY SEAMLESS CLIENT ENGAGEMENT VIA AN OMNICHANNEL APPROACH



An omnichannel customer experience consists of individual touchpoints on multiple marketing channels, like email, phone, SMS, social media and even in-store. Omnichannel refers to a cohesive customer experience across all these channels, regardless of where the customer leaves off and picks back up.

# TOP OMNICHANNEL WEALTH MANAGEMENT FIRMS

## Top Success Factors

### Cloud-based

Cloud allows for instant sharing of client data across platforms

### Digital Capabilities, Onboarding

Digital onboarding not only makes for a seamless customer experience, but once in system it can be used immediately by other system applications

### Cross-platform records

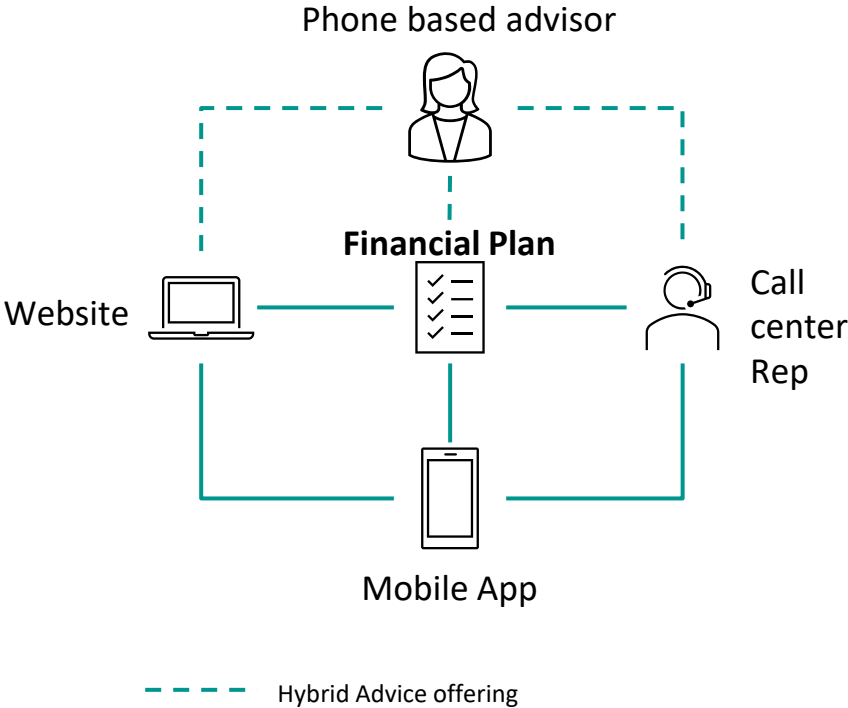
Records are available on every channel whether a call, mobile app or website visit – a necessity for a successful omnichannel implementation

## Top Firms

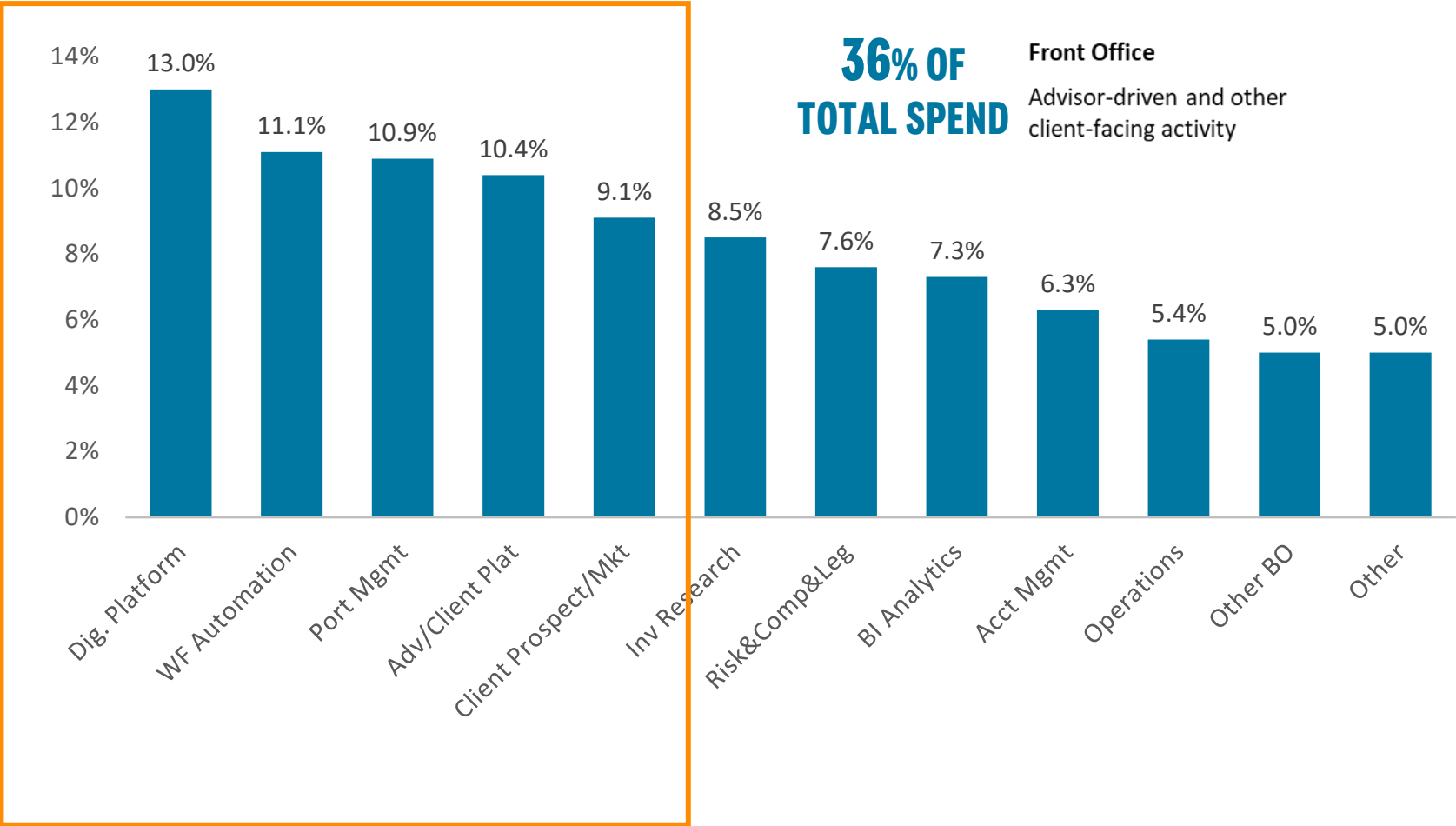


## Key Outcomes of successful implementation

- > Appropriate client account info and financial plan info available across channels instantly
- > Client has good customer experience no matter how they interact whether by robo or hybrid
- > Added flexibility for contacting advisor by phone or video for those who opt for hybrid advice



# A FURTHER BREAKDOWN OF SPENDING SHOWS A WEALTH MANAGERS FUNNELING INVESTMENTS INTO SPECIFIC FRONT OFFICE APPLICATIONS



Our research indicates that platform digitization is a top priority for wealth managers. This means that enterprise firms are looking to create a digital platform that allows them to:

- **Maintain complete ownership of client relationships.** New platforms aim to digitize across the wealth management value chain and the entire client journey. This eliminates the need to outsource digital capabilities to third party providers
- **Deliver consistent advice across channels.** Wealth managers will leverage internal processes and advice capabilities to deliver consistent experiences and solutions across all channels, regardless of client segment or engagement preferences
- **Automate and streamline operations.** Not a new concept. As industry advancements are made in areas such as onboarding, wealth managers continue to focus on elevating and streamlining the process for both clients and advisors. The goal is a digital platform that automates key touchpoints and operational tasks

The next highest area of investment is workflow automation. As evidenced in our model award process (50% of the model award submissions focused on automating or streamlining advisor workflows), many financial institutions are looking to simplify and automate processes for advisors, including onboarding and new account opening.

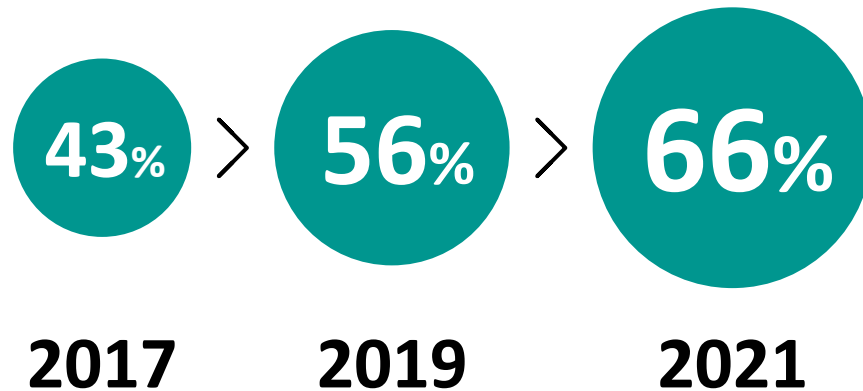
Base: NA wealth managers respondents (sample: 44)  
Question; Thinking about front, mid and back-office expenditure what proportion is allocated to the following areas?  
Question: Source: Celent Technology Insight and Strategy Survey 2023

# THE CLIENT EXPERIENCE, A KEY DIFFERENTIATOR FOR WEALTH MANAGERS, IS UNDERPINNED BY A NEW ERA OF DATA PRODUCTION COMING FROM A VARIETY OF SOURCES

Wealth management clients expect digital services, more seamless digital experiences, and personalization

The use of digital wealth management channels continues to increase

Selection of global wealth managers, penetration of online and digital channels by total client base



The successful aggregation and usage of structured and unstructured data sources can have a significant impact on wealth managers' engagement with clients. Deep client segmentation is powered by the management of data: sourcing, contextualizing, parsing, and applying.

Client needs have rapidly evolved over the past years as the reliance on technology has a profound effect on expectations

- **Data production**

- 2.5 quintillion bytes of data are created each day at our current pace.
- The pace is accelerating with the growth of the Internet of Things (IoT).
- Over the last two years alone, 90% of the data in the world was generated.

- **Seamless digital experiences**

- COVID-19 has accelerated digital and hybrid interactions in wealth management. Penetration of digital channels with traditional wealth managers has increased significantly.
- Even more senior cohorts have followed this trend with digital penetration of clients older than 65 almost doubling to ~40% since 2019.

- **Personalisation**

- Around 70% of wealth management clients believe the degree of personalization is one of the most critical deciding factors when deciding on a wealth management advisor.
- New technologies and data analytics capabilities are increasingly enabling personalization at scale.
- Demand for “newer” and broader asset classes continues to rise steadily. Therefore, the main growth areas we ascertained in last year's report have only gained in relevance: private markets, ESG, and digital assets.

# 02

## SCALING OPERATIONS TO ACHIEVE SPEED AND AGILITY

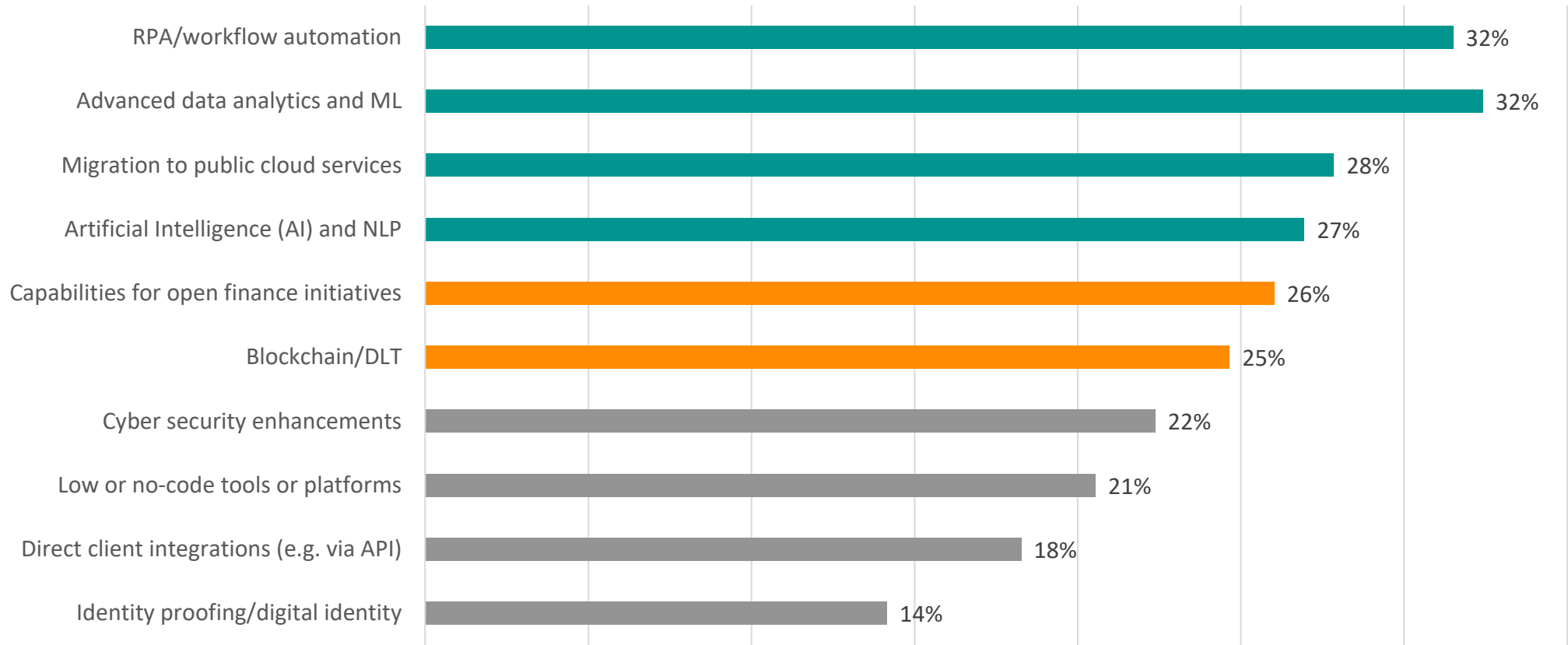
- Expand wealth management services across the wealth continuum to a broader swath of clients
- Address inefficiencies in existing operating models, going from a monolithic architecture to a more API or cloud-enabled state
- Harness and monetize internal and external data



# TOP TEN TECHNOLOGY PRIORITIES FOR 2023

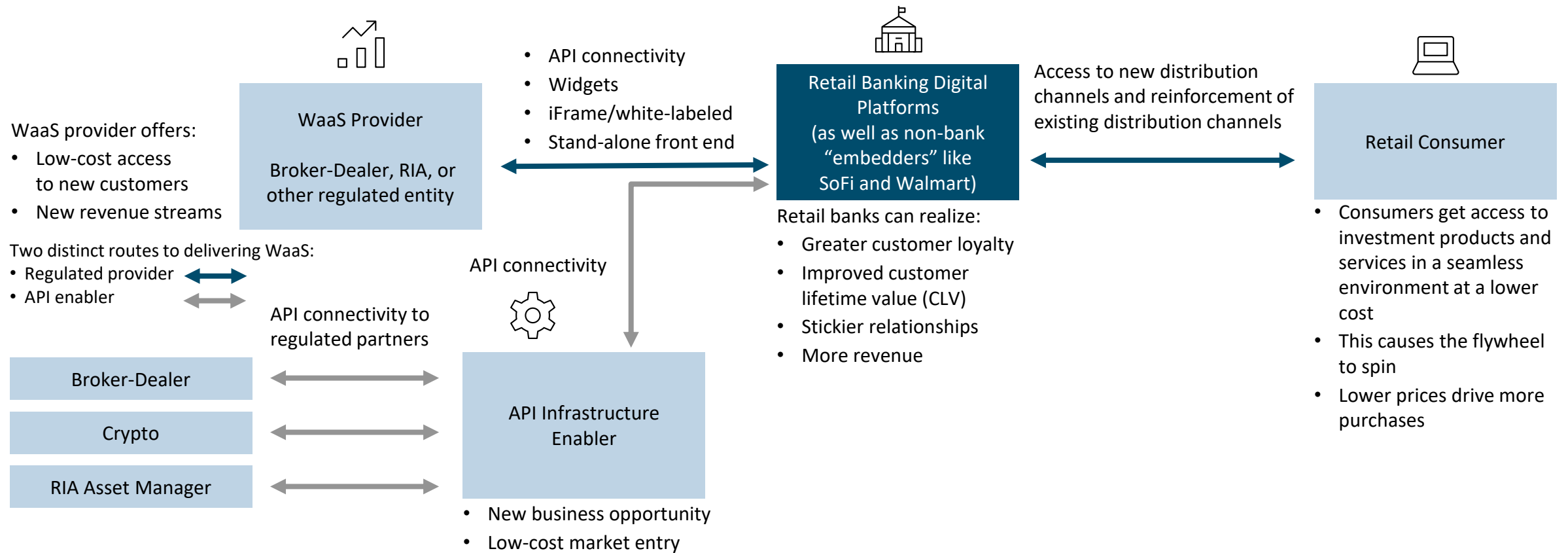
Scaling operations is a top priority which includes advisor workflow automation

## Technology priorities for 2023



Base: All wealth manager respondents (sample: 215)  
Question: Which of the following are your leading technology/process investment priorities in the next 18 months?  
Source: Celent Technology Insight and Strategy Survey 2023

# WaaS CREATES VALUE FOR INSTITUTIONS, PRODUCING A FLYWHEEL EFFECT AND MAKING IT A STRONG BUSINESS MODEL



Source: [The Battle for Engagement: How Banks Can Compete With Digital Brokerages | Celent](#)

# 03

## CONVERGING INDUSTRIES AND BUSINESS LINES THROUGH OPEN DATA ECOSYSTEMS

- Unbundle the wealth tech stack (e.g., “Wealth as a Service”) into modular components
- Embrace an API-first strategy, digital technologies, and multi-cloud architectures to breakdown silos and form a holistic platform
- Build a robust end-to-end solution that can serve a range of clients through new distribution channels

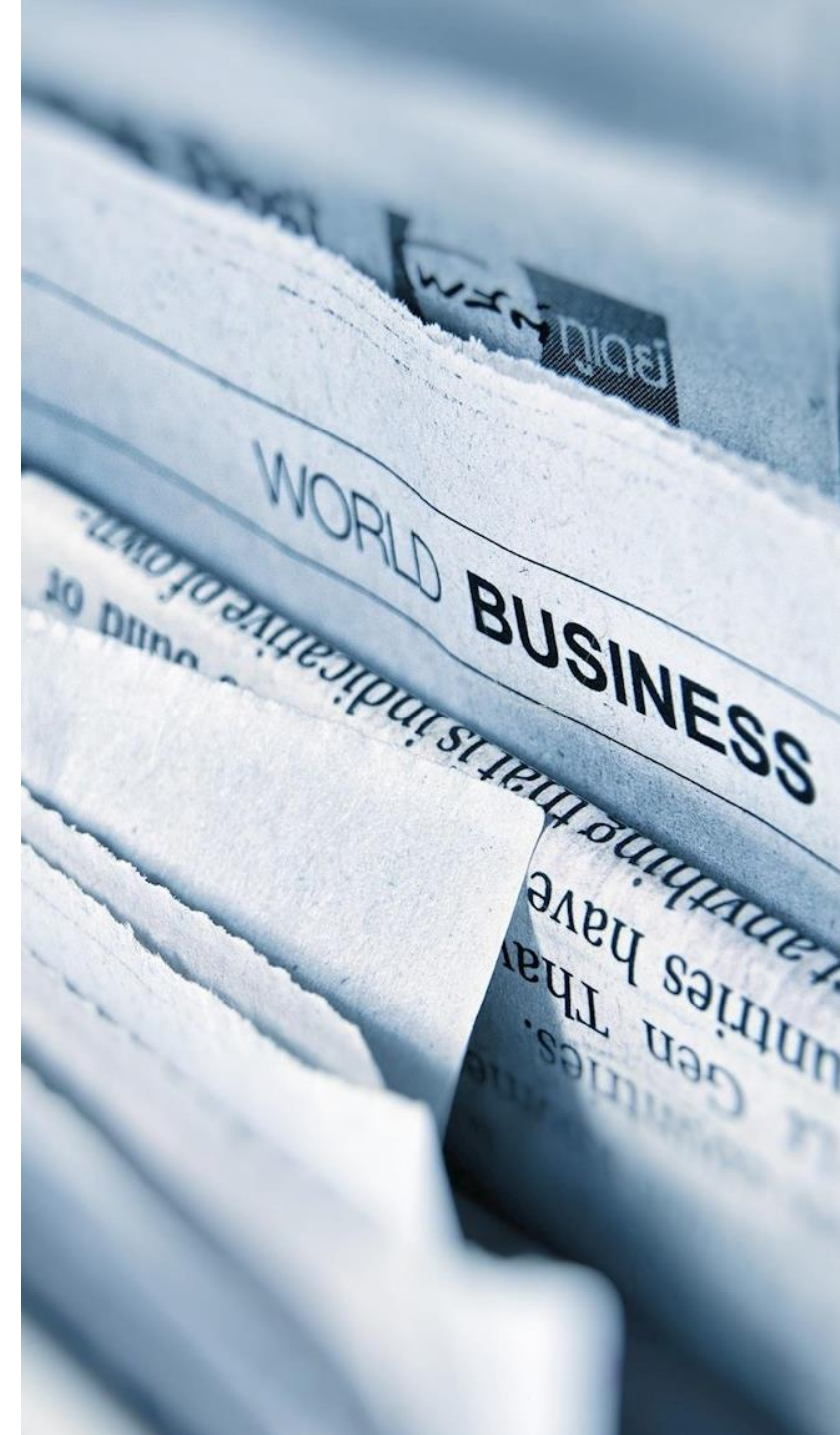
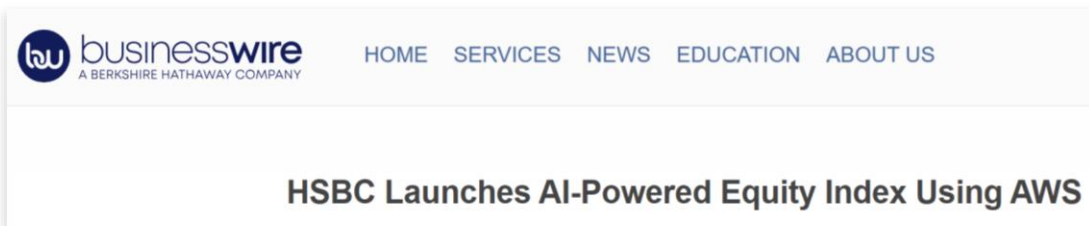
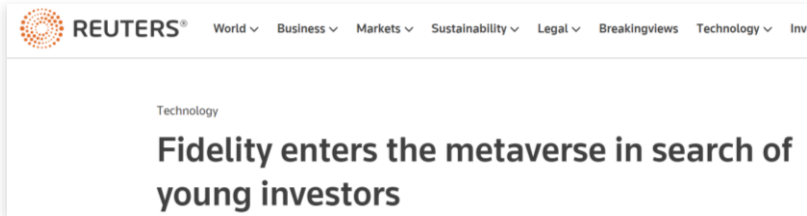
# FEELING THE PINCH

61%

Traditional Wealth Managers believe that there **is increasing competition from fintechs and other challengers** making customer acquisition/retention more difficult...

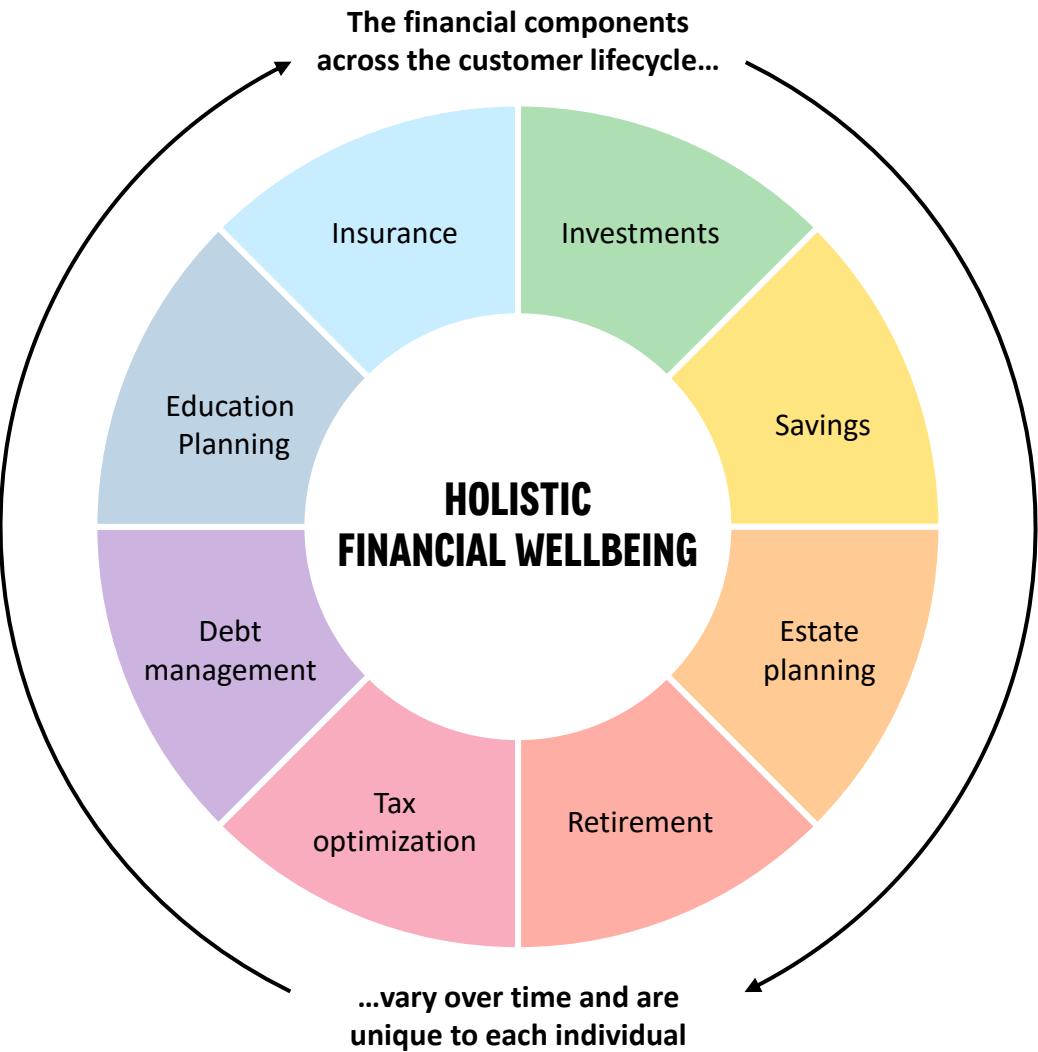
# ...FUELING PARTNERSHIPS BETWEEN INCUMBENTS AND TECH PLAYERS

“

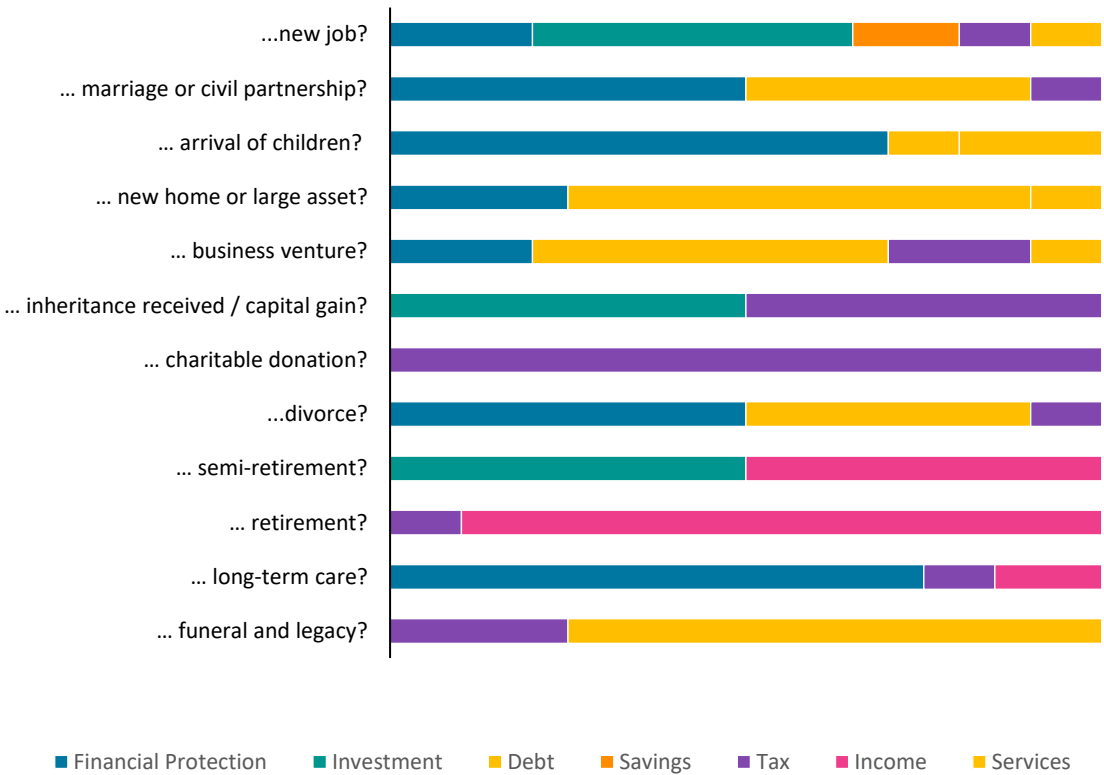


# FLEXING THE MIX AS LIFE CHANGES

Clients’ needs extend beyond the boundaries of traditional offerings and lay the foundational requisite for converging business lines and industries



## Which needs are demanded as life changes? Illustrative



It’s complex – hence the prevalence for intermediation and expert advice

# FIRMS ARE UTILIZING IMPROVED TECHNOLOGIES TO FACILITATE THE DEMOCRATIZATION OF CUSTOMIZED INVESTMENT MANAGEMENT ACROSS A LARGER CLIENT BASE

## Direct Indexing ecosystem: illustrative

### Asset Managers

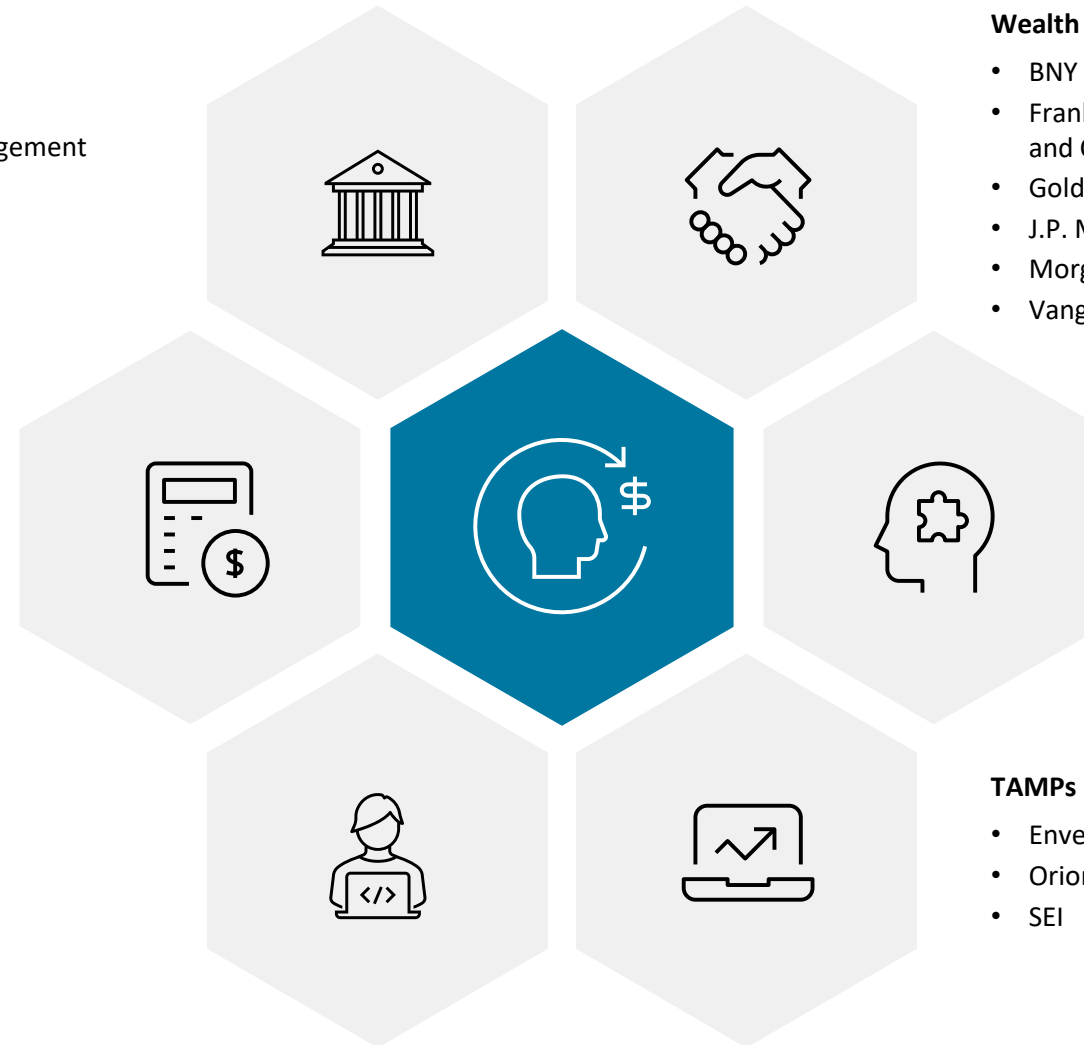
- BlackRock -> Aperio and Spider Rock Asset Management
- Columbia Threadneedle
- Natixis
- O'Shaughnessy Asset Management (Canvas)
- SSgA -> Charles River

### Tech Vendors – Portfolio Engines

- MSCI
- Northfield
- Rowboat
- Qontigo (Axioma)

### Online Brokerage and Robo Advisors

- Betterment
- Charles Schwab -> Motif
- Fidelity -> Ethic
- Robinhood
- Wealthfront



### Wealth Managers

- BNY Mellon Pershing -> Optimal Asset Management
- Franklin Templeton -> O'Shaughnessy Asset Management and Canvas
- Goldman -> Folio
- J.P. Morgan -> OpenInvest
- Morgan Stanley -> Parametric
- Vanguard -> JustInvest

### FinTechs

- 55ip (J.P. Morgan)
- Ethic (partnership with Fidelity)
- Motif (Charles Schwab)
- Open Invest (J.P. Morgan)
- YieldX (FNZ)

### TAMPs

- Investnet
- Orion -> Astro
- SEI



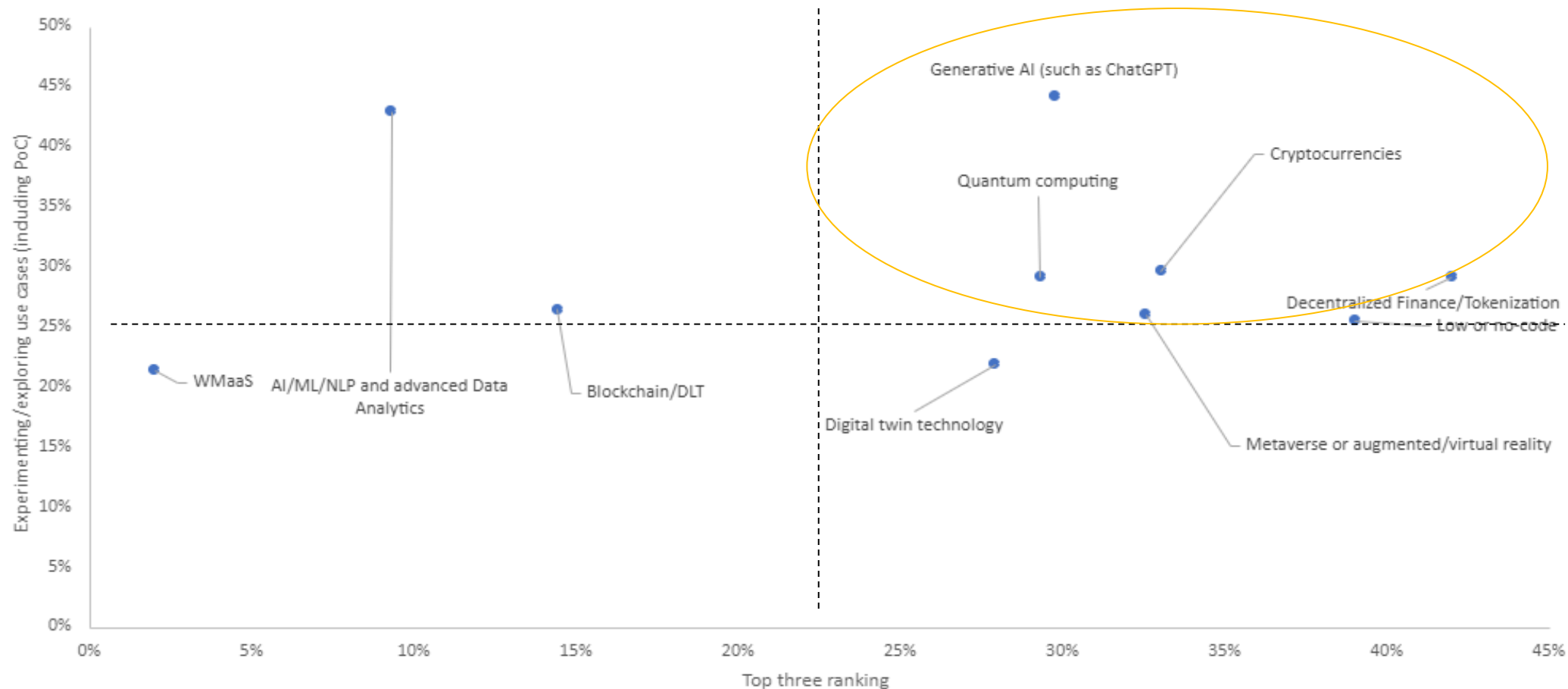
# 04

## INTEGRATING EMERGING TECHNOLOGIES WITH EXISTING SOLUTIONS TO ESTABLISH A COMPETITIVE ADVANTAGE

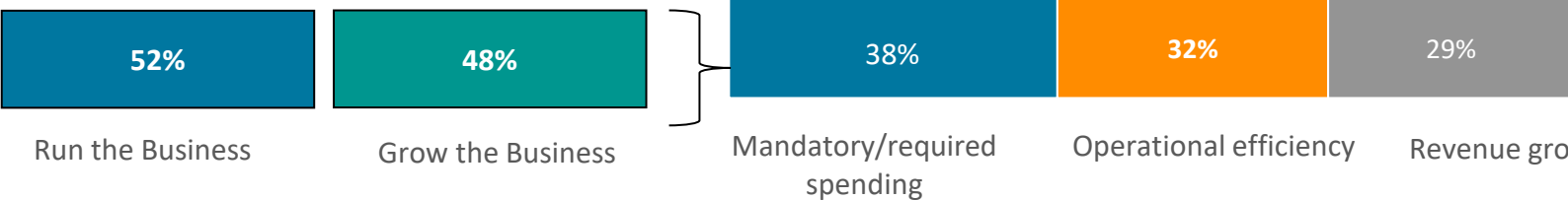
- Deploy emerging technologies (e.g., AI, quantum computing, metaverse) to amplify efficiency gains across the operating model and functional value chain, as well as reach new client segments
- Generative AI
- Quantum Computing
- Metaverse

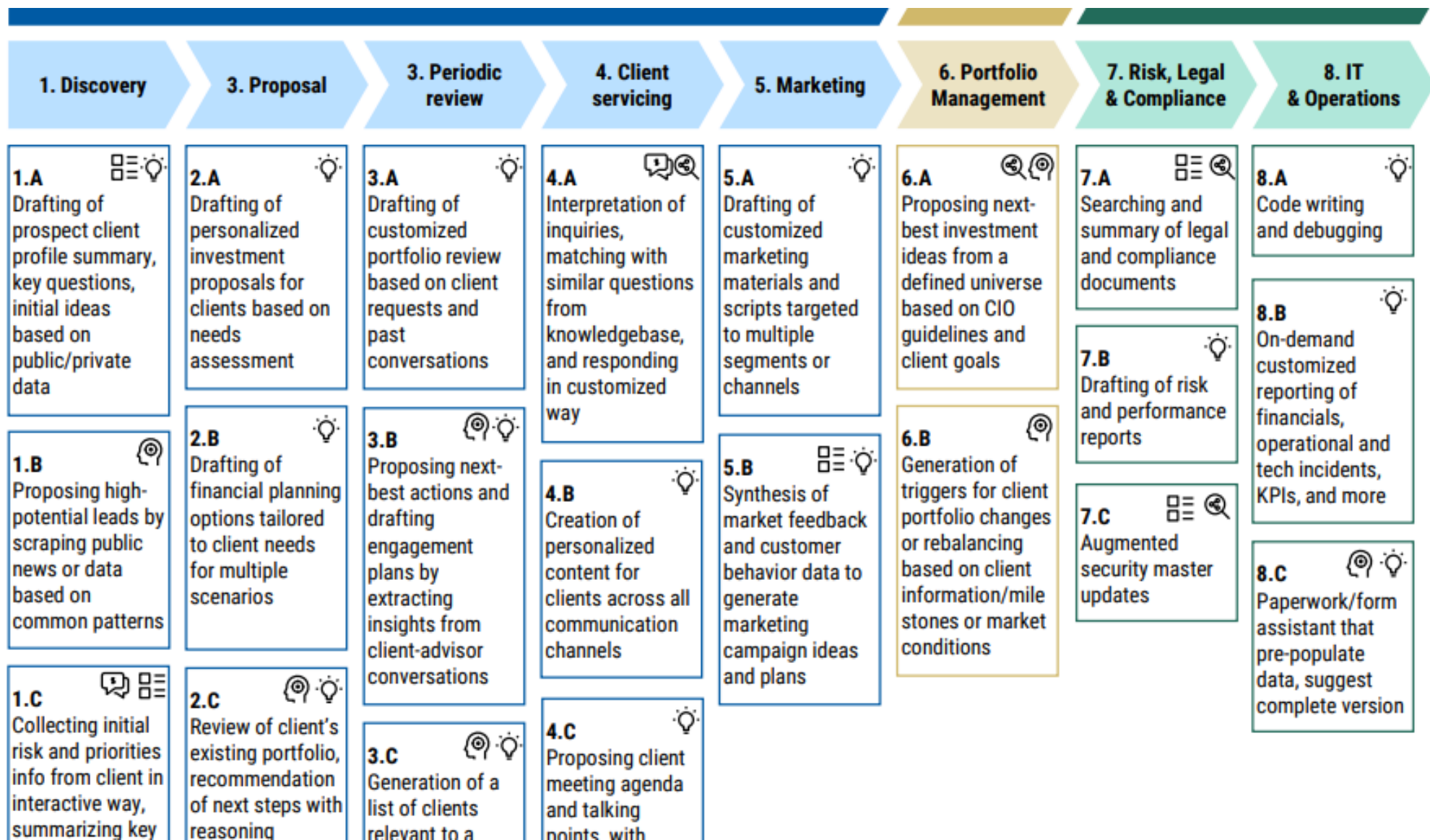
# GENERATIVE AI TOPS THE LIST FOR USE CASES AND IMPORTANCE

But wealth managers also list quantum computing and metaverse as areas of prioritization



Base: All Wealth Management respondents (sample: 215)  
Source: Celent Technology Insight and Strategy Survey 2023





# USE CASES EMERGE WITHIN THE INDUSTRY



## Client Profiling and Behavioral Assessment

### FMG Suite

- FMG launched an AI-powered content personalization engine for social media posts.
- Advisors can use the tool to write a caption for content to share via social media.
- Social media posts are a pain point for advisors who lack the writing skills or time to craft these communications.
- The tool features a button that writes text for the advisor. Each response is unique, and advisors can edit responses to further customize.
- FMG has trained ChatGPT, along with Vistorly, a content management engine acquired by FMG in July 2022.



## A Transformative Use Case

### BondGPT

- Powered by OpenAI Large Language Model GPT-4, BondGPT enables fixed income analysts and traders to perform pre-trading analytics of corporate bonds against a broad range of databases using natural language.
- Fully integrated with LTX's trading platform as well as with LTX's proprietary AI models that score a bond's liquidity and similarity to other instruments.
- Ensures the accuracy of the responses
- Built-in compliance officer
- What distinguishes BondGPT are its laser focus on the needs of bond analysts and traders, its close integration with LTX's trading platform, and its compliance layer.

Morgan Stanley

## Highlights Gen AI Challenges

### AI @ Morgan Stanley Assistant

- Rolled out the bot in September
- Morgan Stanley rolled Early feedback indicates that its ability to answer questions is very limited (probably due to compliance and regulatory issues.)
- Use the virtual assistant to quickly find research or forms.
- In March 2023, Morgan Stanley announced it was testing a chat app with 300 advisors.
- Vision is an app or bot with CIO capabilities: curate and disseminate investment research, CIO capabilities, analyst commentary and product expertise included in over 100,000 documents via chat.
- Complications with GenAI

# QUANTUM COMPUTING – OPTIMIZING FINANCIAL SERVICES

The age of quantum computing is fast approaching, and the financial services industry should prepare now. Increased capital investments and patent filings for hardware technology indicates spending on quantum-related capabilities will grow quickly over the next few years. We expect the financial services industry's spending on quantum computing to grow exponentially over the next 10-years. Firms that develop quantum-related capabilities now could realize a competitive advantage.



## Operations and security

### Cybersecurity

- Ensure security against quantum-enabled breaches

### Settlement

- Optimize trade settlement from once-a-day cycles to higher frequency



## Risk and compliance

### Capital requirements

- Manage multiple complexities and variables

### Simulations

- Replace Monte Carlo techniques for more efficient and faster models; risk minimization

### Fraud detection

- Reduce false positives to increase accuracy



## Trading and portfolio management

### Trading optimization

- Replace combinatorial optimization with more efficient methods

### Portfolio optimization

- Perform real-time assessment of market volatility and variables



## Products and pricing

### Product recommendations

- Analyze extensive volumes of customer behaviour data

### Risk assessment

- Analyze large volumes of customer credit and financial data

### Derivative pricing

- Replace Black-Scholes model to include more variables

# WHAT ABOUT THE **METaverse**

## SOME BANKS AND WEALTH MANAGERS ARE ALREADY EXPLORING THIS NEW REALITY

In February 2022, **JPMorgan** became the first U.S. bank to open a virtual space in the metaverse setting up a dedicated lounge for clients that allowed them to interact with the metaverse

**J.P.Morgan**

HSBC said its **Metaverse Discretionary Strategy** portfolio will focus on investing within the **metaverse ecosystem** across five segments – infrastructure, computing, virtualisation, experience and discovery, and interface



Market cap of the most relevant metaverse companies



Fidelity via their Fidelity Metaverse ETF (FMET.O), **which offers investors the opportunity to invest in businesses involved in the metaverse.** Fidelity also opened a virtual eight-story building called the “Fidelity Stack” in blockchain-based [Decentraland](#) that offers financial education as it tries to attract nextgen investors to its platform. Users in the Fidelity Stack can explore the building's interior, dance floor and rooftop sky garden, but are encouraged to learn ETF investing basics while collecting “orbs” throughout the journey.

Source: CNBC: “Dangerous vortexes and floating pics of Jamie Dimon: Big business is trying hard to grasp the metaverse”, 24<sup>th</sup> February 2022; Reuters: “HSBC launches metaverse portfolio for wealthy Asian clients”, 6<sup>th</sup> April 2022



# OW SURVEYED OVER 100K PEOPLE IN TEN COUNTRIES OVER 18 MONTHS

13% of the population are *Citizens of the Metaverse*

They are ready to embrace augmented reality

71% of them make more than \$50k per year in income and 44% identify as female

70% of them are willing to pay to access the Metaverse

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Gaming will pull Gen Z into the metaverse; 82% already play online and 39% make in game purchases





# 05

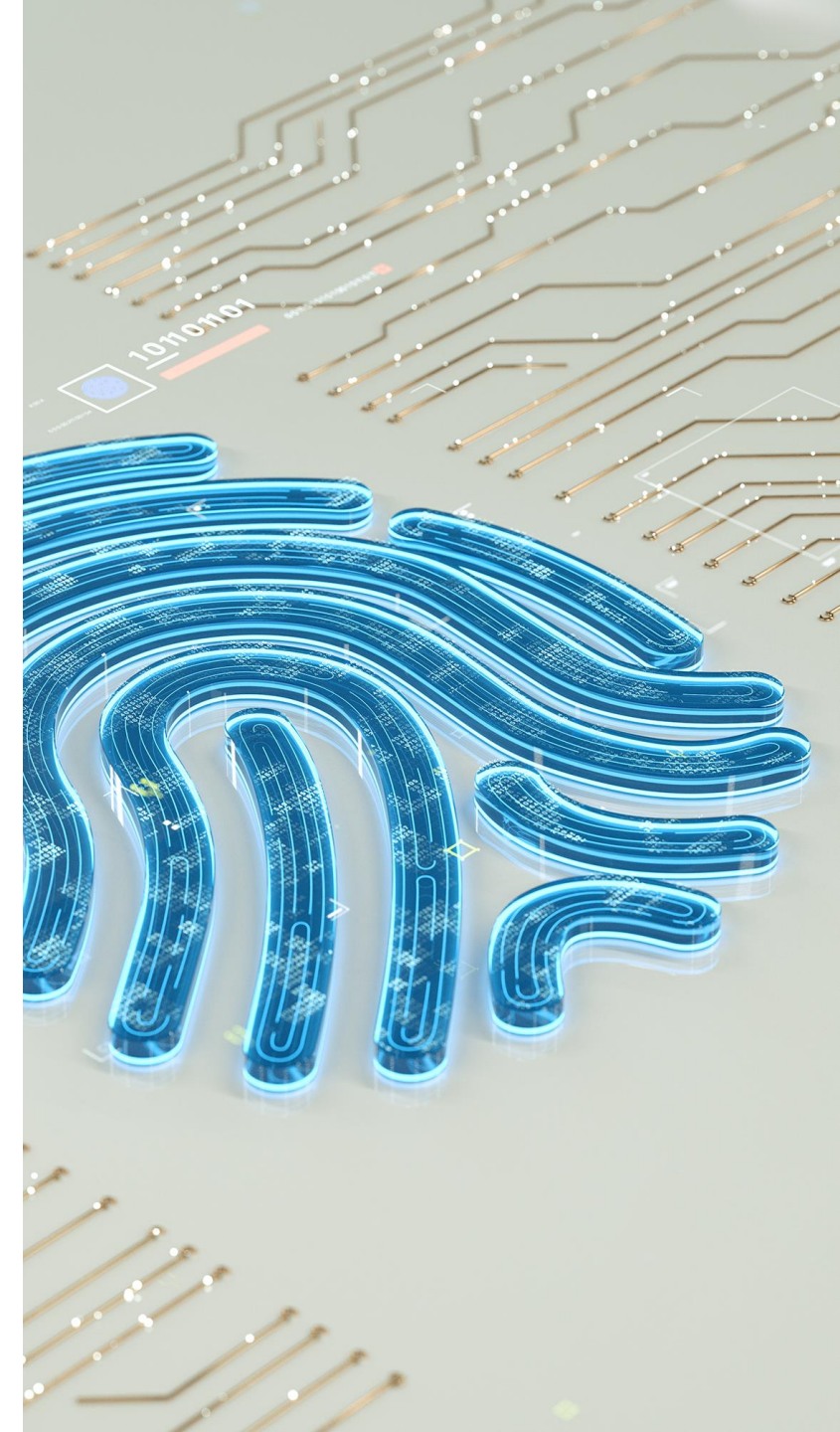
## **SECURING THE ENTERPRISE AND PROTECTING DATA WITH ADVANCED CYBERSECURITY AND DATA PRIVACY ARCHITECTURES**

- Identify a holistic view of cybersecurity risk throughout IT and OT ecosystem, and its extended supply chain
- Utilize AI to automate security tasks, monitor network for suspicious activity, identify, and protect sensitive data
- Consider strategic partnerships with existing solutions to obtain data-driven insights that protect the enterprise, client data, and mitigate risk

# WEALTH MANAGERS FACE SIGNIFICANT DATA PRIVACY AND CYBERSECURITY RISKS AS THEY CREATE DATA-LED PRODUCTS AND SERVICES

- Organizations have more data about their clients than ever before, and with that, comes greater data privacy and cybersecurity risks
- The digital transformation of organizations create an inherent risk to the enterprise and end client
- Institutions will need to strategically position themselves and their tech stacks that mitigate the evolving data privacy risk landscape, while also ensuring their businesses capitalize on the opportunity presented by investing in their customer data

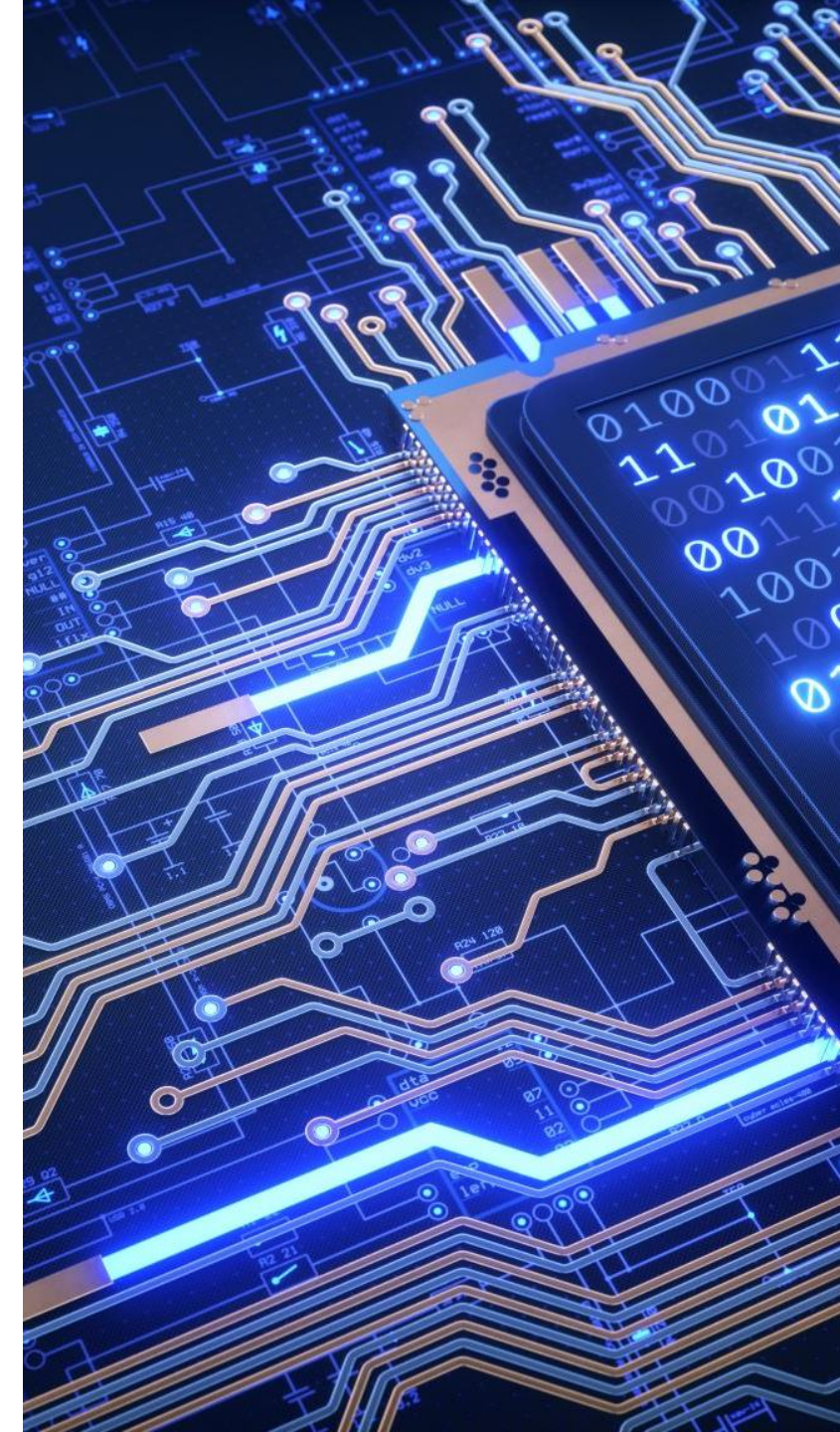
Source: <sup>1</sup>Oliver Wyman, “What the Next Five Years Means for Navigating Data Privacy”



# OPEN DATA ECOSYSTEMS AND AN INCREASING NUMBER OF PARTNERSHIPS COULD GENERATE SIGNIFICANT OPERATIONAL AND SECURITY RISKS TO THE ENTERPRISE

Partnerships and integrations make cybersecurity threats more viable

- Open data ecosystems make cybersecurity threats more viable:
- Holding personal data on HNWI and conducting large financial transactions make wealth managers a cybersecurity threat target
- The industry has lagged in securing the enterprise, but progress has been made
- Emerging technologies, including AI and ML can help mitigate the risk of cybersecurity threats





# THE OUTLOOK FOR 2024

**Celent expects 2024 to be a pivotal year of innovation for the wealth management industry**

- Wealth managers are accelerating their IT spending efforts, particularly in APAC and North America, despite a volatile macro environment
- Businesses are becoming increasingly vulnerable to a wider array of competitors as firms race to attract and retain clients across demographics, especially as industries and business lines blur
- Organizations will strive to embrace emerging technologies that will ultimately transform their tech stacks and lead to a competitive advantage in an increasingly complex and fragmented ecosystem
- The new wealth management paradigm will ultimately create a robust end-to-end solution that can serve a range of clients through new distribution channels, powered by emerging technologies
- **Wealth managers are no longer tied to a single platform from a single provider within a single industry**



**Q&A**

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