

DIGITAL WEALTH MANAGEMENT FOR MASS-AFFLUENT INVESTORS



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Abstract

Traditional Financial Organizations should concentrate on a scalable digital model to take Wealth Management to mass-affluent investors as it is difficult to support the growing elites having new lifestyle, with lesser advisors.

There is a significant change in customer expectations in wealth management from a traditional delegated, trust based partnership model to a self-centered, independent and empowered DIGITAL Experience.

Recent studies show more than half of HNI in Europe use Facebook and social media to communicate with banks. More and more customers want to make investment decisions themselves and share investment ideas through social media platform.

Lifestyle changes brought about by smart mobile devices and internet penetration are driving new digital requirements of collaboration, online portfolio reviews and online trend discussions. The new digitally-savvy population, equipped with enough knowledge to challenge the portfolio managers, is growing.

Hence, wealth management needs to address the self-directed, independent and empowered customers along with the traditional delegated face-to-face interaction model. Rising wealth among middle classes along with the existing HNI demands automation and a scalable wealth management solution. The focus should be to design wealth management solution to mass-affluent investors rather than for a handful of High Net worth Individuals (HNI), as it is difficult to support the growing elite customers having new digital lifestyle, with lesser advisors.

The Emerging New Disruptive Digital Business Model

Innovative Digital Business Models in wealth management have brought about a new perspective. With the 2008 market crash and trillions of dollar losses, investors' trust on portfolio managers has gone down and analysts point out that 30% of the mass affluents do not trust their advisors. They also believe that investing on their own is more effective and will yield better outcomes. This paradigm shift is the driving force behind new innovative business models.

Some of the capabilities and trends observed that are helping them to attract new digitally-savvy customers are:

1. A platform to **Engage** and **Connect** to collaborate ideas with peers, consolidate all their investment accounts & instruments and multiple sources of advice.
2. Deliver **Personalized Advice** to a unique situation with a rich digital experience.
3. An innovative platform, to communicate and follow personalized esoteric asset classes and implement unique investment strategies, to **Invest, Track and Grow** the wealth similar to personal care given to HNI by traditional wealth managers.

Engage and Connect for the Digital Investor

The digital investor is looking to collaborate, know trending assets in the social media, and take decisions himself with feedback & guidance from peers. The digital investor is also looking at engaging with experts and knows more from his fellow citizens about the various connected financial advisors.

The new digital models provide the investor with a platform to view the asset classes' accounts across multiple providers in one place and create a holistic picture of his wealth and manage finance across multiple asset classes on the move. He needs to transact, be informed and collaborate on the go. He needs a **CONNECTED EXPERIENCE** as per his convenience.

Personalized Advice

The relevant investment advices can be of two types - face-to-face communication after understanding the customer insights or automated delivery of personalized advice digitally to customer devices. Automated delivery of personalized advice through customer insights and segmentation need to be used to connect to mass-affluent investors. The focus is on the mass-affluent investors through personalized self-care platforms. This increases productivity and empowers the investor.

Technology improvement in analytics, machine learning and natural language processing is helping to categorize and segment the customers based on similar financial goals and lifestyles. It is also proven that the unstructured social interactions provides more intelligence than the traditional structured form based data gathering methodology.

Unique Investment Strategies Followed to Invest, Track and Grow

A model fine-tuned to masses to collaborate, mirroring the standard set of portfolios (say based on risk assessment) created by professional Portfolio Managers, is widely observed. The other trend observed is "CROWDFUNDING", wherein the investors are connected to own a portion of the equity. A strategy to connect investors to lend (peer-to-peer lending) for a fixed rate of return is also catching up.

Gaps In Traditional Wealth Management

The following are the major gaps observed in the majority of big traditional wealth management organizations when compared to the new emerging trends for digital enablement.

- » Lack of a platform to connect and collaborate with the peers having similar goals
- » Lack of a platform to review portfolios, collaborate to make intelligent decisions for the customer themselves
- » Lack of a platform to expose customers to innovative investment models (crowdfunding, direct loans, etc.)

- » Lack of a platform to automate delivery of relevant offerings to digital channels for self-directed customers on move
- » Lack of a platform to understand customer insights and segment customers on a larger scale for managing wealth

Scalable Digital Wealth Management For Mass-Affluent Investors

Modern Digital Wealth Management should address the following 5 key aspects.

- » Bring transparency and confidence to achieve financial benefits by mitigating risks
- » Provide convenience, empowerment and best digital experience through digital channels
- » Facility to Collaborate for peer-to-peer interactions and discussions
- » Bring Personalized experience through relevant campaigns and automated alerts
- » Demonstrate Customer Advocacy through continuous engagement with Insights

A hybrid model with face-to-face and fully automated digital engagement will help in addressing the gaps observed in the traditional wealth management. A futuristic wealth management solution will have the customer at the center. The customer is independent and empowered with 24/7 online services through multiple channels of interaction. Customer Experience is a key aspect for this connected wealth management and Figure 1 describes important considerations for a Customer Experience Framework.

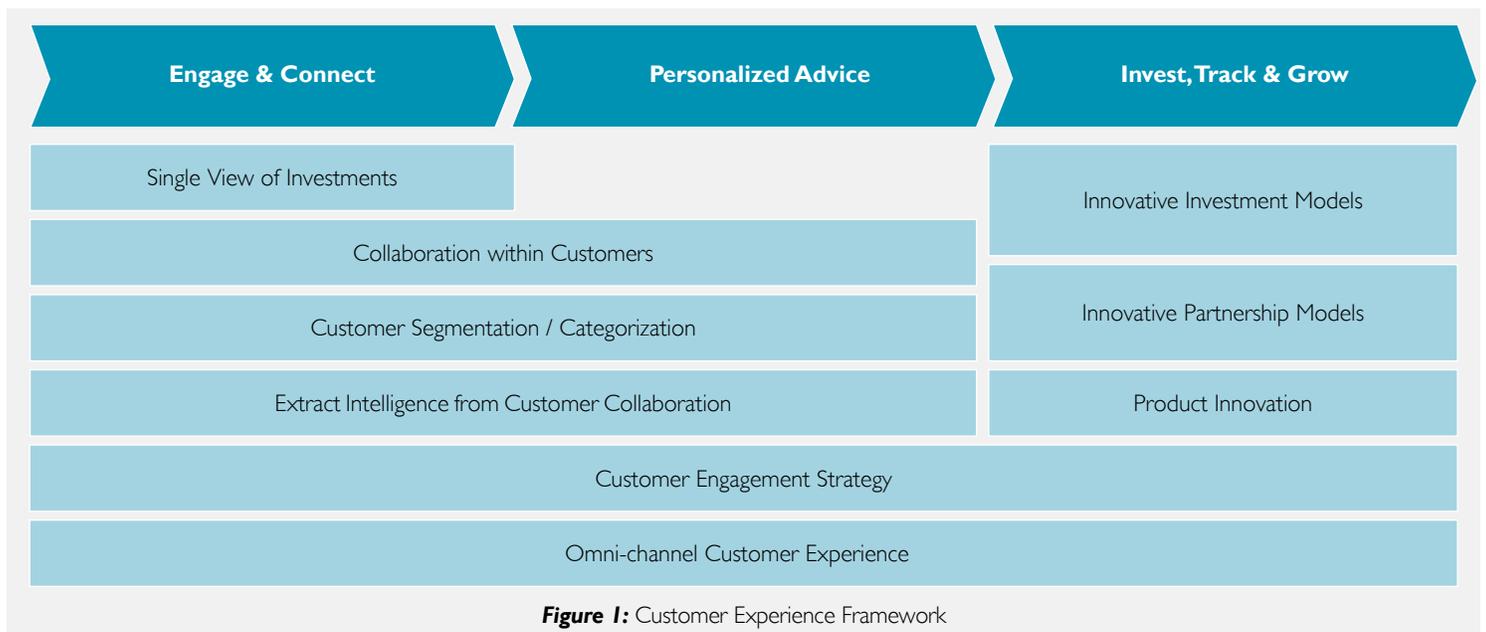


Figure 1: Customer Experience Framework

1. Make **Collaboration within Customers** as the core of wealth management and learn from peer-to-peer social interactions
2. Create **single view of investments** across service providers for managing wealth centrally.
3. **Segment** the customer based on their **common financial goals**
4. Design algorithms and automate for **personalized advices**
5. Product innovation from insights
6. **Think innovative investment models** (through partnerships) for customer investment
7. Continuous engagement through **digital channels** leveraging **customer insights** to bring digital customer experience

Table I describes the overall capabilities required for a target automated scalable model for wealth management.

 <p>Portfolio Management through Self-Service and Omni-channel (NEW Disruptive model)</p> <ul style="list-style-type: none"> » Omni-channel investment experience » Automated, multi-channel, relevant advices and product recommendations » Ease of view, study and mirror portfolios from professional PMs » Increased confidence due to collaborations (peer-to-peer), reviews and sharing of other people's experience » Facility to invite peers for self directed customers of similar profile for the collaborated wealth experience » Innovative lead generation from social media for similar attributes and likes found in self directed customer base 	 <p>Digital Enablement for fully Delegated Portfolio management (Traditional model)</p> <ul style="list-style-type: none"> » Mobile portfolio dashboards » Timely risk management updates across multiple channels » Relevant advices and recommendations are personalized using customer insights gathered from unstructured social interactions » Technology enablement through co-browsing, video chat, digital signatures » Lead generation from social media for similar attributes and likes found in delegated portfolio customer base
<ul style="list-style-type: none"> » Technology enablement to create a complete picture of clients' financial situation, by considering financial goals, risk tolerance, diversification and investment strategies » Integrated dashboards showing asset allocation, potential portfolio risks, how fees impact their goals, track spending and visualize the goals. » Customized portfolio allocations based on a person's unique needs » Technology enablement to innovative niche market offerings like peer-to-peer lending, crowdfunding etc 	

Table I: Automated Scalable Model to Manage Wealth

Portfolio Management

The Customer Experience Framework should address the best possible automation to connect all 'asset classes', accounts (both internal and external providers) and provide a unified view of portfolio. The portfolio management should help in setting goals, track and view his performance across all accounts and assets through an Omni-channel with a responsive and intuitive experience.

Enterprise Social Collaboration

To enable the customer for peer-to-peer communication with customers of similar interest, share, evaluate, chat and join groups for social interaction, a robust integrated Enterprise Social Collaboration should be integrated into the Customer Experience Framework. Based on the organizational business model and regulatory norms, the

collaboration can be secured internally. One of the important goals of this platform could be to create Customer Advocates to help in promoting more friends and families to join in the collaboration and ultimately become customers.

Personalized Investment Advice

Personalized investment advice, which are relevant and on the right time are important to demonstrate that the Bank is a true guide to increase customer's wealth. Customer portfolio details, social interactions, likes, interests and insights from his engagement can help the Bank to derive automated personalized investment advice. There are other options of connecting to an expert on portfolio management by partnering with external firms or leverage the internal resources based on the Banks strategy. The customer experience framework should cater to these needs of personalized advices.

Innovative Products and Partnerships

Customer Insights, social interactions, likes and interests can help in deriving new products. Bundled products or offering from external partners can also be delivered to the customers based on the interests. The Customer Experience Framework should generate or integrate the insights and social data to the product team to come-up with innovative products and also strengthen partnerships.

Figure 2 below summarizes the key interactions required for scalable digital wealth management.

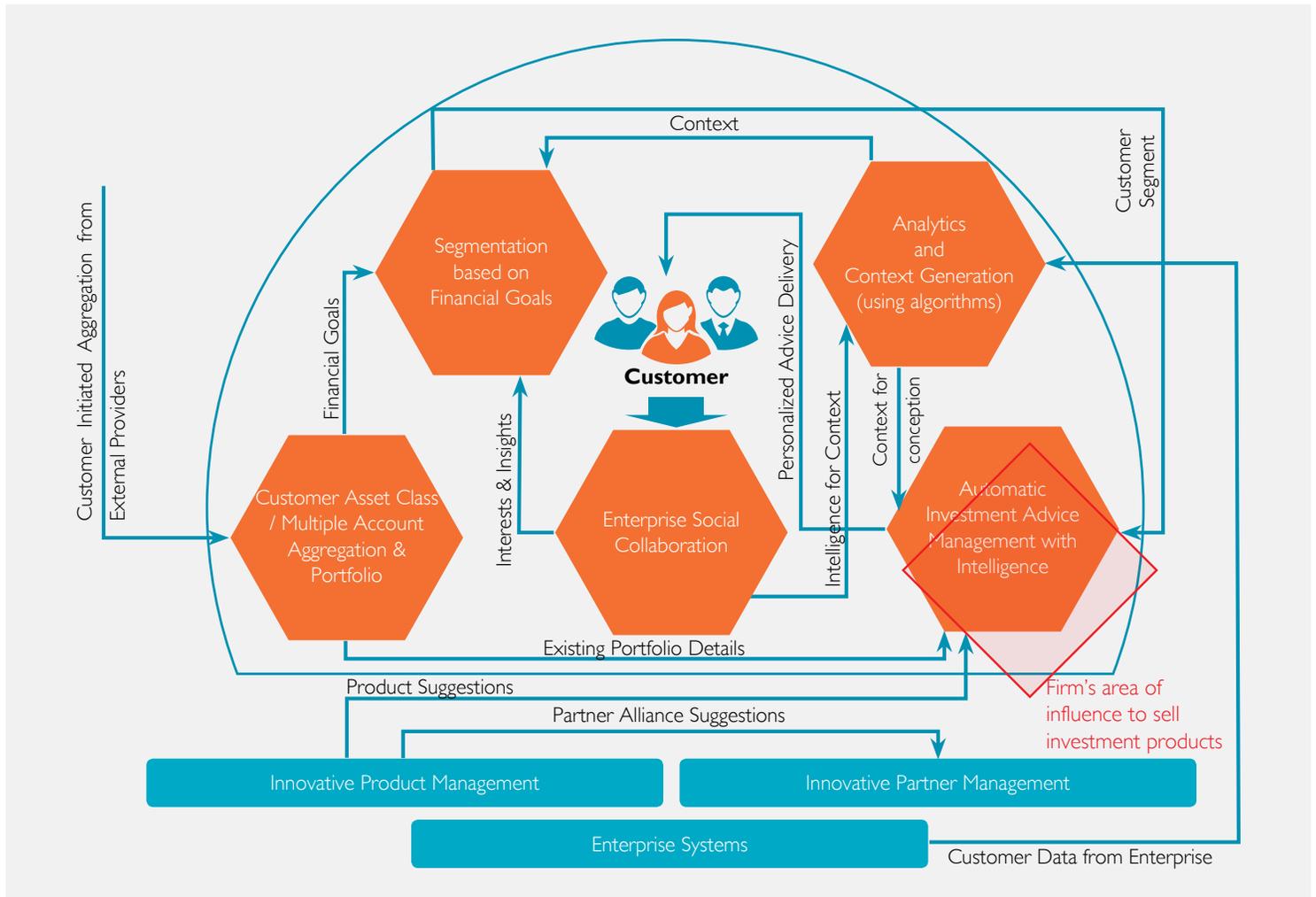


Figure 2: Key Interactions for Collaborated, Scalable Wealth Management

Product Penetration and Scale

Selling of the financial product depends on the financial goals, interests and the appetite for a particular type of investor. Customers can be segmented based on these appetite and based on the interest shown by customer, automated investment advice can be delivered in the form of campaigns. The advanced analytics and customized algorithms can be implemented by enabling the required technology stack and seamlessly integrate to the Customer Experience Framework.

The face-to-face advices provided to the elite HNI individuals are costly and scaling requires more man power. Technology can be enabled to deliver similar experience online to the masses.

Conclusion

There is a lot to be learnt from the emerging digital models and lifestyle changes. Customers spend more time online and need more independence. To penetrate the market aggressively and to increase the *wallet share*, it is important that Banks rethink their business model to include self-directed, online digitally-savvy customers' aspirations, moving away from the traditional face-to-face operations only.

The opportunity to scale-up the wealth management to the masses with the best digital customer experience through automation is out there. It is a *mandatory* change to be adopted by the traditional financial organizations going forward.

About the Author

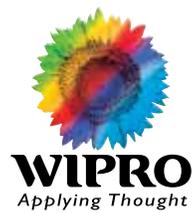


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IND/PMCS/WIPRO/MAY 2015 - JULY 2015