White Paper

The shifting sands of wholesale
How a new generation, new technology and new regulation are impacting the distribution of financial products

March 2019
Introduction

New generation

New technology

Demanding a new approach to wholesale

From push to pull: moving up the value chain in response to the convergence of retail and wholesale

New regulation

A vital convergence

Author

Important information

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The shifting sands of wholesale

Introduction

Our industry has a tendency to evolve gradually, with the occasional step-change under the pressure of extreme market events or regulatory forces. However, we argue that a fundamental transformation is currently affecting the business environment, already driving changes within it and forcing it to adapt to a faster pace. Will it be a change for the better?

The first revolution comes from retail investors. A new generation of technology-friendly Millennials — who think differently, have different aspirations and are looking for different products — is about to transform the way investors look for information, communicate with advisers and other intermediaries, and buy financial products. Millennials’ unique set of values and attitudes define the way they communicate, consume… and invest. The more pessimistic among us will anticipate an ‘uberisation’ of our business, but others may see it as a unique opportunity to re-think our offerings and distribution models.

In fact, understanding Millennials is crucial for asset managers, advisers and distributors alike, because they are the largest ever living generation, making them a key segment to capture. With approximately 1.5 million High Net Worth (HNW) Millennials globally, who own USD6.1 trillion of investable assets, this market is also crucial for wealth managers.¹

According to a 2016 BCG report, their wealth is forecast to grow by 16% per annum, reaching 16% of global private wealth in 2020.² Yet only 20% of “next generation” clients have been approached by their parents’ wealth managers so far… presenting a huge opportunity for those able to meet their expectations, and a significant threat to those who fail to convince inheritors as wealth passes down the generations, from ageing baby-boomers to their children and grandchildren.

Coupled with, and going beyond, the emergence of this transformational generation, other forces are contributing to the profound changes the industry is beginning to undergo – both technological and regulatory. They are in great part relevant to meeting Millennials’ expectations and, for those willing to embrace new technology and to adapt their business models, they can enable significant gains in terms of efficiency and service quality. Profitability, and maybe even survival, will be dependent on how firms respond.

For advisors and distributors, robo-advice, robo-assisted advice, analytics and personalised communications are set to transform business models, operations and client relationships. For asset managers, who have been traditionally used to pushing out information and persuading people to buy their funds, the shift is now towards a ‘pull’ approach putting clients back at the centre of their considerations. Having to deal more directly with retail customers while maintaining their wholesale business model is impacting asset managers in what and how they communicate, and to whom.

In this paper, we begin by taking a closer look at the new generation, exploring who they are and what they want. We then discuss the opportunities and threats presented by new technologies, and the changes they will likely entail. Finally, we analyse how, supported by new regulation, this multi-dimensional evolution will profoundly transform the distribution of financial products.

¹ Scorpio Partnership, Millennial Matters 2017
New generation

Who are they? How different are they?

There is no set definition of Millennials, but the most commonly accepted view is that they are the generation born between 1982 and 2000 – or broadly speaking, today’s 18-35 year-olds. By this description, they are the largest living generation and, as a result of global demographics, most are in the emerging markets, with China and India accounting for a particularly large share. For example, Chinese Millennials number 415 million, and “over the next 10 years their aggregate income could rise by USD3 trillion”.³

Now moving into their prime spending years, they are poised to reshape the economy, and in particular the investment landscape.

Firms who aren’t online don’t exist

Millennials are the first digital natives. They have grown up with online searches, peer-to-peer reviews, instant messaging and, above all, social media. Not only are they eager adopters of new technology, they also find and connect with companies online. Even though Millennials aren’t averse to having a personal adviser for their finances, firms must have a digital presence to exist.⁴

Millennials have a different attitude to brands

Having grown up in a world of pervasive advertising, developed-market Millennials are more inured to marketing messages than their parents.⁵

In developed markets, although quality and price still matter, what Millennials want beyond this is a brand with a purpose, demonstrating values they share.⁶ When it comes to investing, they also appear to be looking for guidance and information, and their loyalty can arguably be gained through appropriate engagement.

Brands in themselves have more appeal for emerging-market Millennials, who are willing to pay for perceived quality. According to a Goldman Sachs survey, “in China, the premium segment has seen disproportionately strong growth over the past few years across a wide range of consumer industries.”⁷ Similarly – and despite the global financial crisis – when it comes to investing, emerging-market Millennials value the reassurance brought by brands with established credentials – both ethical and in terms of skills to manage something as complex as investments.

Emerging markets: Home to the majority of Millennials

Size of bubble represents total Millennial population

Source: United Nations population division (2017 revision), Credit Suisse

⁴ http://www.copylab.co.uk/industry-tips/millennials-impact-investing/
⁵ https://cmr.berkeley.edu/blog/2017/1/millennials-and-csr/
⁶ To Affinity and Beyond: From Me to We, the Rise of the Purpose-led Brand, Accenture Strategy, 2018
Investing isn’t straightforward

Developed-market Millennials have less money to spend than their parents did at the same age, and are often heavily indebted with student loans. Overall, they are keen to save money but are hindered by low real incomes, large debts, and the cost of living. Yet despite these obstacles, 77% of Millennials say they have a financial plan in place. In fact, they begin saving at 26 on average.

In emerging markets, while Millennials face some of the same obstacles (e.g. urban Chinese Millennials struggle to buy property), the overall trend is very different, as Millennials tend to be better off than their parents, and with rapidly improving prospects – being wealthier than their parents is an expectation rather than a hope!

According to a recent UK survey conducted by the Wisdom Council, another issue is that, while Millennials are keen to invest, and interested in learning how, they are worryingly ill-informed. For example, many do not know what type of pension scheme they have, or even whether they are registered with their workplace pension plan. As with many investing and financial issues, many Millennials “feel as if they are coming in halfway through a conversation when they try to engage with pension communications. The overuse of jargon means they do not understand what the industry might consider the most basic of concepts […] creating a general feeling of helplessness.”

Yet there is hope for advisers and asset managers: in a recent CFA survey of US Millennials, respondents said that “to build trust, […] they want a financial professional who will educate them, who will customise their approach to the client’s needs and who can demonstrate that they place the client’s interest above their own.”

Experiences matter more than objects

In contrast to previous generations, Millennials are more willing to spend on experiences (travelling, meals, concerts…) than on ownership of things. As discussed, they also feel more loyalty to brands that engage with them on shared values, and they want an adviser who educates them.

All of this sheds light on why the quality of communications is so paramount when it comes to choosing an investment product provider. This is true both in developed and emerging markets. It also suggests that service experience is even more important than for previous generations.

The next-generation investor

Will be more willing (and able) to influence his/her social network

Will expect a consistent omni-channel experience

Will demand more data to enable decision making

Will be informed and ready to “shop around” for the right solution

Will be willing to adopt the latest technologies

The next-generation investor

All of this sheds light on why the quality of communications is so paramount when it comes to choosing an investment product provider. This is true both in developed and emerging markets. It also suggests that service experience is even more important than for previous generations.

Source: Deloitte (2018)

What do they want?

Millennials are disrupting how – and where – business is conducted, and brands that are geared to this segment’s expectations typically outpaced their respective markets in 2017. In terms of investments, these expectations are based on the characteristics and behaviours discussed above, rather than on traditional wealth levels.

Indeed, while HNW clients will always have more complex requirements than retail or mass-affluent investors, asset managers, advisers and distributors alike need to include behaviour as an additional element to understand and address this generation’s expectations. As expressed in the 2016 BCG Global Wealth Report, “of key significance are competitive and transparent pricing schemes, the bank’s financial track record, and the sophistication of the digital offering”. To this, we would also add responsible investing.

Making a difference

Depending on surveys, anywhere between a high 25% and a massive 85% of US Millennials are interested in sustainable investing.10 As responsible investing becomes increasingly mainstream, and given Millennials’ preference for brands with a purpose, investment firms thus stand to gain from embracing ESG.

In light of Millennials’ expectations from brands, however, the implications are complex. While most managers already embed ESG criteria in their processes, they will need to do more to convince Millennials: they will have to demonstrate how their investment products can help make the world a better place, with proof and examples. Importantly, this does not preclude talking about performance, but rather involves explaining how investments can allow Millennials to get a good return by making a difference.

For emerging market Millennials, though data is scarcer in terms of their responsible investing preferences, taking this stance can help firms stand out as quality providers and thus increase their appeal, particularly since many emerging markets are the ones that stand to gain the most from ESG improvements.

Though not the only option, thematic products are good candidates to appeal to this generation, on topics such as environmental causes (e.g. low carbon, renewable energy, electric vehicle supply chain, water efficiency…) or social causes like healthcare and education.

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**For Millennials, Digital Excellence is a Key Factor in Choosing and Switching Wealth Managers**

<table>
<thead>
<tr>
<th>Factors in choosing a wealth manager (% of respondents)</th>
<th>Reasons for switching wealth managers (% of respondents)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low or fair fees</td>
<td>Better Offer</td>
</tr>
<tr>
<td>Financial track record</td>
<td>Customer relationship management service</td>
</tr>
<tr>
<td>Digital sophistication</td>
<td>Digital innovation</td>
</tr>
<tr>
<td>Brand or reputation</td>
<td>Followed RM</td>
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<tr>
<td>Peer recommendation</td>
<td>Bad press</td>
</tr>
<tr>
<td>Types of products</td>
<td></td>
</tr>
<tr>
<td>70</td>
<td>30</td>
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<td>47</td>
<td>21</td>
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<td>11</td>
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<td>28</td>
<td>29</td>
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<tr>
<td></td>
<td>68</td>
</tr>
</tbody>
</table>


Being in control

Millennials also seemingly want to be in control of their finances, which stands to reason given how used they are to searching and deciding for themselves. The financial services industry can appear to hinder them from taking their preferred approach, through its lack of transparency, use of jargon and complex communications.

It would be more appealing to them if financial services firms could instead deliver highly-personalised, clear and relevant communications to educate them, explaining the purpose of saving, the impact their investments can have, and the way their money is managed.

As discussed above, communicating competitive and transparent pricing is particularly important to this segment. Millennials favour good bargains and simplicity, which will likely maintain the pressure on asset managers to offer low-cost fulfilment options.

Fast and easy digital access

Millennials want investing itself to be simple, fast and transparent. They expect a digital investment experience which can compare to their other daily apps, and favour self-service, automated investment platforms and simpler-to-understand passive products. Our industry is far behind others in terms of technology adoption and social media engagement, but to capture these clients, the entire distribution chain will have to adapt.

This necessity is compounded by the blurring of lines between service providers. Whilst PayPal was a pioneer in offering non-bank online payments, today banking and investments alike are increasingly being offered by non-traditional firms, from start-ups like Monzo (a mobile-only bank) to tech giants like Apple, Google or Tencent’s WeChat, offering a host of services – including payments – within one single platform. Technology has enabled the emergence of unexpected players in the field of financial services, and this is only the beginning.

Considerations for wealth managers:

- Personalised digital and offline experience and service
- Education and guidance, to help them prepare for the future
- Making a difference
- Price sensitivity
New technology

Stepping up robo-advice
A way to meet some of Millennials’ requirements, but also those of the broader investor base, automated advice and asset allocation — also known as “robo-advice” — are at the heart of a heated debate among financial intermediaries. The technological progress is astounding, leading some to predict the demise of human-based advice within a few years. For instance, thanks to big data and sophisticated analytics, the technology can now deliver more complex solutions like outcome-based planning.

According to a recent PwC report, it can also “automate the processes of wealth management. For example, new client ‘on boarding’ has typically involved 20 to 30 steps but only takes two to three with some online solutions.” In addition, the advent of an investment offering by tech giants like Google or Alibaba, which may be on the horizon, could be a game-changer.11

We don’t believe the situation is so dire, but we do think that robo-advice will progressively reshape the industry. First, advisers themselves are increasingly using digital platforms to gather information, and robo-advice is already changing the way they work. Second, while HNW investors’ needs remain complex, requiring a human touch particularly when significant amounts are involved, they want to have a choice on how to access information and advice, including online.

Last but not least, digital capabilities are important for less wealthy affluent and retail customers. For these larger client bases with more straightforward requirements, automation opens a vista of opportunities for advisers and distributors to provide them with the compliant, customised products and communications they want in a cost-efficient manner.

11 PwC – Asset & Wealth Management Revolution: Embracing Exponential Change, 2017
Regulators are struggling

From a regulatory standpoint, the prospect of clients being offered consistent, standardised and lower-cost solutions to their financial needs is attractive. However, to date it is proving tough to determine when online ‘guidance’ spills over into personalised advice. If web-based tools and algorithms can provide ‘recommendations’ in terms of what investments might be appropriate for individuals, how do they prevent ‘mis-buying’, clients being shoehorned into generalised solutions that may not fit precisely, or even clients being guided towards solutions most suited to the needs of the provider of the tools?

Another characteristic of robo-advice solutions is the high variance in the solutions offered by different service providers. Is it illogical that individuals will be offered different answers from separate providers for the same set of needs identified online?

Of course, the answer is that, just as in the offline world, each fund manager or distributor has its own investment philosophy and approach, reflected in the robo-advice recommendations. It is important to understand that robo-advice is not in fact impartial, but is designed to reflect the convictions and approach of the provider by whom it was designed.

As in ‘real life’, time will tell who has the most solid approaches, and investment strategies will all continue to have periods of over- and under-performance. The concept of ‘one-size fits all’ can no more exist online than it does offline. This does not automatically create customer detriment, but it does mean outcomes will differ.

Asset Allocation Models from different companies’ robo-advice for a 27-Year-Old Investing for Retirement, September 2015

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Digital Adviser A</th>
<th>Digital Adviser B</th>
<th>Digital Adviser C</th>
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<tbody>
<tr>
<td>Equity</td>
<td>90.1%</td>
<td>72.0%</td>
<td>51.0%</td>
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<tr>
<td>Domestic</td>
<td>42.1%</td>
<td>37.0%</td>
<td>26.0%</td>
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<tr>
<td>U.S. total stocks</td>
<td>16.2%</td>
<td>22.0%</td>
<td></td>
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<tr>
<td>U.S. large-cap</td>
<td>16.2%</td>
<td></td>
<td>8.0%</td>
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<tr>
<td>U.S. mid-cap</td>
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<tr>
<td>U.S. small-cap</td>
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<td>18.0%</td>
</tr>
<tr>
<td>Dividend stocks</td>
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<td>15.0%</td>
<td></td>
</tr>
<tr>
<td>Foreign</td>
<td>48.0%</td>
<td>35.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Emerging markets</td>
<td>10.5%</td>
<td>16.0%</td>
<td>13.0%</td>
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<tr>
<td>Developed markets</td>
<td>37.5%</td>
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<td>12.0%</td>
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<td>Fixed Income</td>
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<td>Developed markets bonds</td>
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<td>U.S. bonds</td>
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<td>International bonds</td>
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<tr>
<td>Emerging markets bonds</td>
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<td>7.0%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
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<td>15.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td>15.0%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

Automation goes further

Just as advice is so much more than an automated investment recommendation, today’s technology allows advisers and distributors to do far more than simply automate recommendations according to a few criteria:

- In terms of regulatory compliance, sophisticated analytics can make organisations’ task much less onerous, for example by keeping audit trails of investment decisions and their rationales, cross-referencing databases to maintain robust know-your-client information, or enhancing suitability analyses;

- In terms of pricing, advanced tools can create targeted pricing based on each client’s individual situation, price-sensitivity and long-term value, for example to optimise the use of discounting;

- On the investment side, current technology can also analyse huge amounts of data to enable better processes, risk management and investment decisions;

- On the client side, it allows for finer customisation of advice and solutions, leading to better outcomes. The more sophisticated tools can even create timely, personalised suggestions and actionable recommendations for individual clients, whether it be a reminder to set up a meeting or matching a new product to a given investor according to their expressed interests.

In a world of increasingly demanding clients and regulation, automation will be essential to enable financial intermediaries to maintain and nurture relationships.

Embracing personalised communications

As discussed earlier, new ways of engaging with audiences are increasingly important. Typically, where their elders read Warren Buffet’s opinion in newspapers, Millennials listen to and follow a new generation of influencers, not only their peers, but also opinion leaders on social media, from Instagram to specialised blogs. As this audience is used to conducting their own searches and reading influencers’ opinion pieces, wealth managers will have to adapt. They may have to find ways to make their information available when and where investors look for it, for example by nurturing relationships with the new opinion leaders in the field of investments.¹²

Another key trend of the last decade or so is ‘gamification’ – the idea of educating customers by providing them with content that is entertaining, innovative and fun. It is not sales-driven, but marketing-driven, and has proven an extremely popular approach in recent years. The objective of offering “gamified” content is to generate leads, nurture them along the way and turn them into customers whenever they are ready. As Millennials want to understand and control their finances, effective communications should include educational content in simple, straightforward language that will help them master basic notions around investing.

The Berkeley study on Millennials and CSR also revealed that they see social media very much as a two-way communication system, whereby they expect brands to listen, analyse and respond to customers’ questions, complaints and demands. To them, dynamic, personal interactions are a crucial way in which brands demonstrate transparency, authenticity, and genuine devotion to making the world a better place.

More than communications
For wealth managers and other intermediaries, competing with start-ups and tech giants will entail significant technological investments and a mindset change at all levels of the organisation. To fully harness the technology, they will need more than just a new app. According to the 2018 BCG Global Wealth Report, there are four key success factors which wealth managers find especially challenging.

The first is to get everyone across the organisation, from the C-suite to the Relationship Managers (and particularly the latter), to embrace the change and make it a strategic priority.

The second is learning to work in an agile fashion, using small multi-disciplinary teams to constantly and rapidly innovate, test and evolve ideas, communications, apps and offerings. This should include the sourcing, production and publication of regular and relevant content, from education to new investment ideas or themes – which is a challenge in itself and is much more than the occasional client newsletter.

The third is to collect fragmented data from across the company, using people’s knowledge of clients and products as well as the various reporting tools available, harnessing all the available information from the front to the back office.

Last but not least, wealth managers should endeavour to link this information to generate insights on customers, segments, products, pricing and communications, not only on large sets of data, but also on small segments or even individual investors.

Beyond developing new apps and distribution models, achieving these four goals will require wealth managers to adopt new data architectures and development capacities, different organisational structures and skills, and the ability to capture, analyse and leverage large amounts of data. Yet technology and the advent of Millennials are also reshaping asset management firms.

Considerations for wealth managers:

- Big data and other new technologies can generate efficiencies, give better control of data, and enable greater personalisation of products and services, recommendations and communications
- This opens up opportunities, such as mass affluent markets or indeed Millennials
- But their successful adoption requires deep change, and obtaining buy-in and active support across an organisation

13 BCG, Global Wealth 2018: Seizing the Analytics Advantage
Demanding a new approach to wholesale

Can the stock business resist the rise of the flow business?

Thanks to technology, not only are we seeing the emergence of concept-driven online trading platforms like Motif, which allow investors to customise their portfolios themselves, but some are going further, allowing investors to pick and choose individual securities from a set universe, for example 1,500 stocks, available on mobile platforms – a sort of DIY trading model. This approach of concentrated investments run over short timeframes goes against the grain of traditional asset management, whose goals are to manage diversified portfolios over the long term, but it may find an audience among investors who want to make their own decisions.

Depending on their success, these emerging platforms may well impact every aspect of asset management, from traditional funds to specialist investments. While asset managers are "stock businesses" making money through management fees, these new platforms are "flow businesses" generating revenues from clients’ transactions. Indeed, many have added margin-lending services to allow clients to trade. Many clients will choose to be both, a trend that is already being seen in the High Net Worth market.

The new ‘flow business’ will be all the more threatening as existing technology simply can’t compete. From the large players, whose digital approach is held back by legacy technology, to smaller asset managers who lack the means to compete, hardly any of the traditional players can offer the type of easy, digital access these new players have created. The digitally-engaged will want to pick and choose their investments themselves, meaning that those new “digital brokerage” platforms represent disruptive competition for the entire distribution chain.
From push to pull: moving up the value chain in response to the convergence of retail and wholesale

In the wholesale segment, asset management is by definition fully intermediated, either internally or externally. Until recently, it operated in a “push to push” framework, whereby asset managers built their businesses by “pushing” communications to internal and third-party distributors – for them, in turn, to “push” their products to final customers. Asset managers never really had direct access to the end retail and private customers, who in turn did not tend to research providers and solutions, but relied on their adviser or platform for recommendations.

The silos are breaking down

With the advent of the new generation of investors and the advance of technology, these silos are breaking down further. Even for asset managers that are not licensed to sell products directly to retail or private clients, offering information through “pull” channels has become not only an opportunity but a necessity.

Asset managers first need to offer adequate product information and communications in their relationship with distributors, as advisers increasingly use platforms themselves to research investment solutions. Platforms are evolving into communication and marketing channels as well as a virtual back-office. The ubiquity of fund data and analysis puts the onus on providers to speed up their processes, open up their thoughts and educate potential audiences. Clients themselves can, and will, check independent sources of data, so in turn providers need to extend information beyond the distributors and into the open market.

In terms of end-investors, the many changes we have explored throughout this paper mean that, to exist in their clients’ eyes and gain their loyalty, asset managers must also offer them the information they want, when and how they want it. As Millennials especially search for investment products autonomously, asset managers must assess how to create impact online, as well as working out how to use data analytics, to engage with end-investors in ways they will truly value.

In particular, product demand will likely be influenced by this emphasis on digital and younger clients, for whom transparency, low-costs and control are high priorities. In terms of positioning, new providers are focusing on thematic funds, and for funds offering to deliver more than ‘just’ financial returns (e.g. funds with a lower carbon footprint than their peers). Time will tell if this new generation of investors will shun traditional asset allocation models for funds with strong stories or that have a positive ‘impact’. Innovations are already appearing, which may be the first of a whole new generation of products and solutions. It will be essential for asset managers to be able to meet these expectations as they emerge.

Re-engaging with clients

Some asset managers are in fact embracing robo-advice, big data and digital innovation vigorously, not only from far-sightedness, but also to use analytics on customer behaviours that can help them improve their products and services. Crucially, those asset managers embracing technology in this way see it as the means to re-engage with their clients.

While having a strong online presence is now a necessity, some also take it as an unprecedented opportunity to communicate directly with their customers, nurturing relationships through the right content delivered on the right channels at the right time.

Going forward, more and more asset managers’ wholesale communications strategies will therefore include a “pull” component, appealing to end-investors directly and, by extension, offering better information to distributors. Thanks to platforms in particular, we may see an increase in “pull to pull” communications, whereby distributors search for the information their own clients are looking at.
The opportunity to put the client at the centre

For firms that tackle the challenge head-on and embrace the revolution, this is a golden opportunity to firmly place the client at the centre of the organisation.

Wealth and asset managers will have the chance to generate client loyalty by improving the customisation and accessibility of their content, and finding each investor’s preferred channels and frequency of communication, including ways to reduce unwanted communications. They can also develop more relevant content and, through their knowledge of clients’ profiles and interests, create individually-curated communications with the most relevant research and investment ideas, and solutions with the most potential to generate client interest.

In particular, we think the retail materials asset managers are beginning to produce should not exclusively be product-driven, but should include educational pieces that would:

- Fill a knowledge gap while encouraging Millennials to think about their long-term investments as soon as possible – for their own good;
- Create a sense of trust with companies to which they would otherwise not turn spontaneously.

New Channels of Communication

Not only will asset managers thus be able to establish their credentials – and demonstrate their ability to make the world a better place through more than statements of intent – they will also be ahead of the game in terms of regulation.

Source: HSBC Global Asset Management, 2019
Over the last few years, regulation has been trending towards a gradual but undeniable reinforcement of asset management companies’ responsibility to final customers. Continuing on this path, regulators are encouraging asset and wealth managers to know their clients increasingly well, and to offer them the most suitable products and communications possible.

Interestingly, while regulation long placed the onus on differentiating between retail and professional investors, MiFID II is now asking asset managers, where professional investors are concerned, to follow similar guidelines as the ones initially established by MiFID I for retail communications – i.e. to highlight the key risks associated to an investment solution, or how to display fund performances. It seems clear that the objective behind this regulatory trend is to mitigate the risk of misunderstanding from less technical professional investors – and to discourage potential pressure from asset managers to classify non-professional clients as ‘professional’.

In the near future, the pressure for simpler communications demanded by regulators will converge with the immediacy of impact demanded by digital consumers. We anticipate greater spending, and urgency, from providers and distributors in developing retail-friendly content more systematically when addressing end customers, and setting new standards, pushing the ‘clear, fair and not misleading’ regulatory guidelines to the next level. Many will do this spontaneously, perhaps seeing it as a competitive ‘edge,’ before regulators start paying more attention to it themselves.
A vital convergence

Uber hasn’t made taxis disappear, Airbnb hasn’t emptied out hotels, Amazon hasn’t shut down all high-street retail shops. At least not yet. But they have put pressure on businesses to review their approaches and take changing customer habits and expectations into account. In the current (r)evolution, technology is not the only driver of disruption – consumers are playing a part which is at least equally important. In conjunction with technology, the emergence of a new generation of retail investors will also dramatically impact the wholesale business in years to come.

Millennials, the largest living generation, are coming into their prime spending years, and transforming business and communications – up to and including in investment management. Coupled with the incredible abilities of technology – from automated advice to sophisticated analytics and mass-personalisation of content – this means that digital-friendly and investor-centric communications are set to become the norm, allowing wealth managers to spend less time translating asset managers’ jargon into actionable client-centric content, and to take the opportunity to increase their focus on their advisory and commercial role.

In this context, asset managers need to ask themselves two key questions:

- Should they rely exclusively on third-parties to distribute their product content, or should they develop their own channels?
- How can they make distributors’ lives easier in facing new client expectations?

Meanwhile, for distributors, the strategic decisions will revolve around:

- How they can anticipate the wealth transfer and build their business for the future; and
- How they can make investors’ lives easier, notably through technology and access to relevant information.

On both sides, the crucial element will be to put the end investor at the centre of all considerations.
Simon Ellis is the Global Head of Client Segments at HSBC Global Asset Management, with particular responsibility for Wholesale Clients including global and local banks, financial advisers and retirement savings. He has a lead role in developing HSBC Global Asset Management’s Retirement Savings project, as well as in the business’s market response to MiFID 2 and Brexit. He has over 30 years’ experience in financial services, having managed businesses and business development at Legal and General, Fidelity, AXA and Henderson Global Investors before joining HSBC in 2014. Simon is a recognised industry spokesman and has been heavily involved with the UK’s Investment Association over the years, including having been a non-executive director of the association.
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