

The Futurewealth Report 2014

Upgrading the service delivery

Part 2
March 2014



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FOREWORD – SCORPIO PARTNERSHIP

Delight is not a word that is often associated with wealth management... we believe it should be.

So for this year's Futurewealth research we asked the world's wealthy what it really takes to delight them as financial customers. We explored every stage of their relationship with a wealth manager; from their hunt for a financial provider, through their experiences transacting with a firm, to their ongoing relationship.

In the second paper in the Futurewealth series, we take a closer look at the transaction phase of their experience. The findings reinforce the notion that wealth management is a relationship business with most respondents focusing on their professional advisor in supporting their purchasing decisions.

And yet there is also a sense that the understanding of what constitutes a relationship is evolving. The paper highlights that delivering delight to the future customer will require shifting digital capabilities from their supporting role further into the value proposition. It suggests that, going forward, the wealth management industry needs to think about more effective online engagement.

Once again, we say thank you to our sponsors SEI and NPG Wealth Management and to all of those who took part in this year's survey.

Sebastian Dovey
Managing Partner
Scorpio Partnership



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FOREWORD – NPG WEALTH MANAGEMENT

We have been long-standing readers of the Futurewealth report and are delighted to be sponsors of this year's research. Why do we believe so much in this insight study?

At NPG Wealth Management, understanding our customers helps us to continuously improve the quality of our life assurance solutions. We think that customer feedback is not just vital in helping us to gauge their existing needs but also the future requirements of clients.

The research has significant implications for those who serve this valued group of customers. It emphasises the importance of a personal delivery in the wealth management transaction. But it also highlights that, for customers to be truly satisfied, their human contact at a firm must be supported by digital capabilities and efficient processes.

These findings resonate with our approach to customer satisfaction. Not only do we engage with intermediaries and the customers they serve on a personal level, but we also strive to make sure that every element of our value proposition has a customer orientation. We believe that it is this approach that will enable us to deliver more to life assurance.

We would like to thank all of those who took part in the research and we hope you find the insights as interesting as we have.

Marc Stevens
Chief Executive Officer
NPG Wealth Management



FOREWORD – SEI

When we first started sponsoring the Futurewealth project four years ago, the world was a very different place. For the Futurewealthy, the changes we have witnessed have simultaneously brought both challenge and opportunity. That is why, at SEI, we work with private banks and wealth management firms to deliver tools and services that support these clients as they navigate the evolving world.

We became involved in the Futurewealth project because we believe that by understanding how the global wealthy are responding to changes in their own lives, we can more proactively create solutions that meet their needs.

In this second paper in this year's series on the wealth management customer experience, we learn about how the Futurewealthy undertake transactions with their financial provider. It is positive to see that digital technologies are playing such a vital role in supporting them in their purchasing decisions. In fact, almost all customers are logging on to their online account at least once a month.

But, the report also highlights how the wealth management industry will need to change to service the needs of the future client. The views of the younger generation indicate that they would like to see technologies integrated even further into the value proposition. It shows how we, as an industry, must evolve to meet their new requirements.

We relish this challenge and hope that others will be too. It is through embracing change that we can revolutionise customer service and match the needs of every client.

Alfred P. West, Jr.
Chairman and Chief Executive Officer,
SEI

INTRODUCTION

Over the course of this year's Futurewealth series we get to the heart of what really matters to the global wealthy when they are working with a wealth manager. We have asked them about the little details that make their customer experience delightful.

In the first paper of our four part series, entitled *A quest for a valued relationship*, we saw that in the pre-purchase phase of their experience with a firm, the Futurewealthy are exhaustive in their hunt for a financial provider that they like. To grasp their attention means wooing them with a strong brand reputation and fair costs.

Now, we turn our attention to the second phase of the customer journey. Here, we focus on the factors that matter when they are undertaking a transaction with a firm. And, in particular, we ask what is changing in the nature of that transactional experience as digital technology evolves to support and subvert traditional business practices.

The findings are based on the views of 3,025 individuals from around the world with an average worth of USD2.9 million. We refer to them as the Futurewealthy because they are at the front of a global charge up the wealth curve.

Advisor adoration

As you would expect, the Futurewealthy feel that the advisor is the linchpin of a great transaction experience. In fact, the top three factors that are most important to them when making a trade all relate to their human contact point.

The most committed customers – with over 75% of their cash with a single provider – place the highest value on the advisor when making purchasing decisions. The maturity, market knowledge and understanding of their *cash confidant* get importance scores of over 70 points out of 100; 10 marks higher than those who hold a smaller proportion of their wealth with their main manager.

Information hungry

For the Futurewealthy, digital technologies complement the human interface during the transaction experience. They are active users of online solutions to support their purchasing decisions.

In fact, 92% of them are using digital tools to support their wealth management transactions. More than half of them are attracted by the knowledge gathering potential, clicking to review markets, securities and undertake performance analysis.

Delighting the next generation

The youngest members of the Futurewealth clan are re-orienting the transaction experience away from the advisor and towards digital solutions. In fact, the under 40s give the ability to customise online portfolios an importance score of 46, over 20 marks higher than their peers aged over 60. By contrast, the youngest group score the experience of their advisor at 58; compared to a mark of 79 among the oldest Futurewealthy.



The quality of life is in proportion to the capacity for delight

In brief

- This year's Futurewealth series is all about the wealth management customer experience. We reached out to 3,025 of the global wealthy to ask them what they liked most about their interaction with a firm.
- During the transaction phase of the relationship with a money manager, it is the human touch that makes the experience most delightful. However, digital solutions work to support the professional advisor to deliver something special.
- At the same time, the transaction experience is undergoing an evolution as a new wave of clients come to the fore. We predict digital technologies will soon be on a par with the advisor in delivering delight to the Futurewealthy.

THE CAPACITY FOR DELIGHT IS THE GIFT OF PAYING ATTENTION

It has often been said that it is the little things that make a positive difference. And, that individuals who can appreciate the minuscule minutiae of life have the greatest propensity for happiness. From the smell of freshly cut grass to a great cup of coffee, it seems that life's delight is in its detail.

It is for this reason that as part of our series on the wealth management customer experience of the world's Futurewealthy, we have explored the interaction they have with their main money manager to the n^{th} degree. We want to know about all the little details that delight the world's wealthy as financial customers.

In our last paper, we found that when looking for a wealth manager, it is a good reputation and the right price that puts a smile on the faces of these global go-getters.

Now, we ask which elements inject a spring into their step when they undertake a transaction with their money manager. Predictably, their answers highlight that it is their human contact point at a firm which is the main source of delight during their buying experience.

But, there is also a sense that digital elements should be further integrated into transaction interaction. Particularly, because a new generation of clients are sprinting up the wealth curve. And, they have new ideas about how technology can be baked into their wealth management experience.

HAPPINESS COMES IN THROUGH THE DOORS THAT ARE OPEN

During our five years following the Futurewealthy, we have seen that they have a very clear sense of the path to happiness. In fact, they seem to know exactly what they want and how they can go about getting it. It is an attribute that sets them apart.

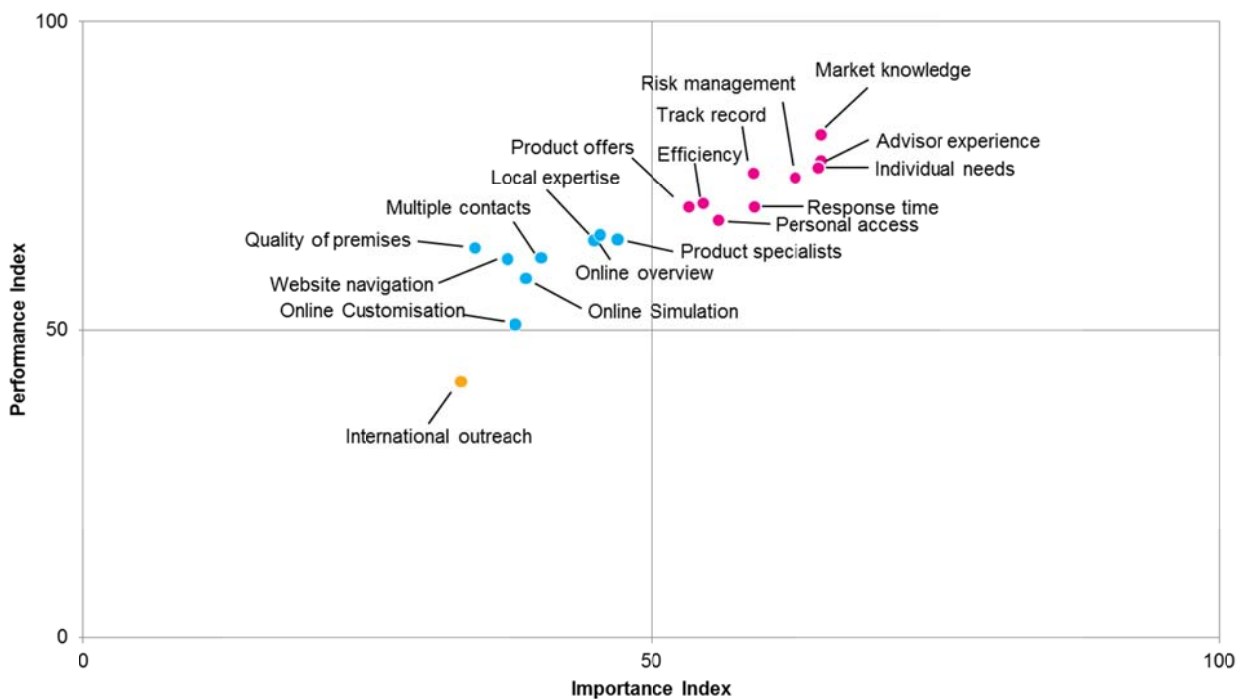
This innate intuition about the route to delight transfers into their attitude as financial customers. The world's money makers have a distinct understanding about what will make them happy when undertaking wealth management transactions.

As you would expect, it is the human interface that is the linchpin of an exceptional transaction experience for these global go-getters. In fact, the top three factors that make them happy when making a trade all relate to their personal advisor [Figure 1].

And yet, the Futurewealthy also value the digital technologies that support this human touchpoint. Elements such as an online overview and an easily navigable website provide the most opportunity to delight these covetable customers when transacting with their wealth manager.

Figure 1: Carrying out a transaction: Importance/ Performance Matrix

When carrying out a transaction with your main wealth manager, how important were the following factors in delivering a great experience? And, do you feel your provider delivered a good performance in each of these areas?



HAPPINESS IS NOT A MATTER OF EVENTS; IT DEPENDS ON THE TIDES OF THE MIND

Of course, the thing about happiness is that it is not an entirely simple concept. In fact, any one individual's experience of happiness is like a mere drop in the ocean of emotion.

During this year's research we identified a group of the Futurewealthy whose delight with their wealth manager has led them to pour over three-quarters of their assets into the firm. Almost two-thirds of these individuals are from the Americas and they have an average age of 55, about 7 years older than the remaining Futurewealthy.

It is these most committed customers – with over 75% of their cash with a single provider – who place the highest value on the human touch in their transaction interaction [Figure 2]. The maturity, market knowledge and understanding of their advisor get importance scores over 70 points out of 100; 10 marks more than those with a lower proportion of their wealth at their main provider.

By contrast, in the minds of the most loyal group, the digital capabilities and geographical coverage are less likely to deliver a brilliant transaction interaction.

Fortunately, a majority of customers feel their wealth manager is delivering a good performance on both a digital and a personal level.

In fact, 88% of the Futurewealthy believe that they are supported by an advisor with the right knowledge, experience and compatibility [Figure 3]. What's more, around 83% of them felt that their money manager provided a good online overview and this rises to 94% among the most committed customers.

All in all, this is good news. Despite some variance in expectations across the transaction experience, there is a broad sigh of satisfaction.



Figure 2: Carrying out a transaction: Importance Index

When carrying out a transaction with your main wealth manager, how important were the following factors in delivering a great experience? (Segmented by proportion of wealth managed by wealth manager)

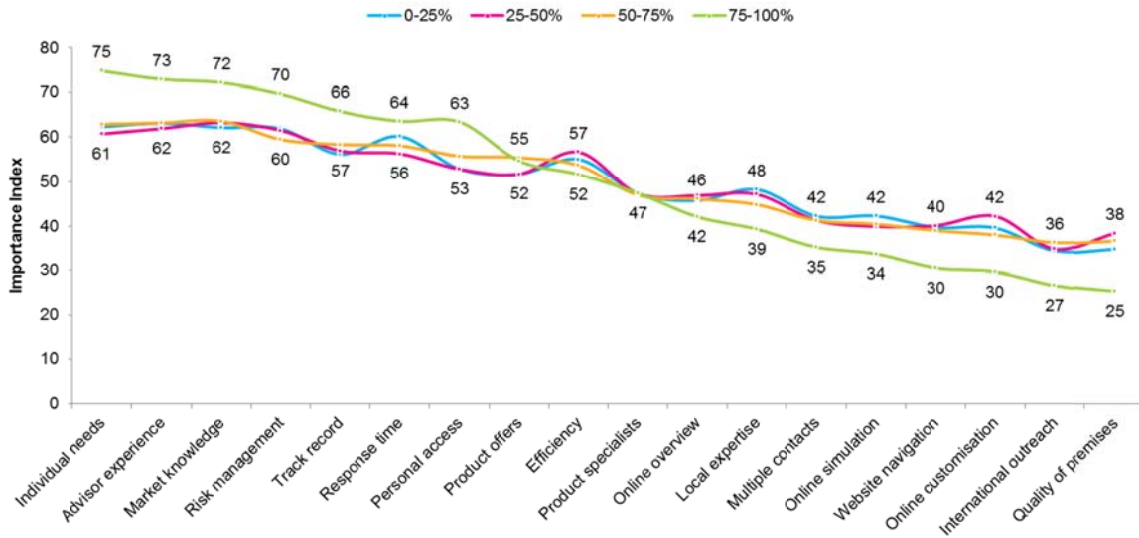
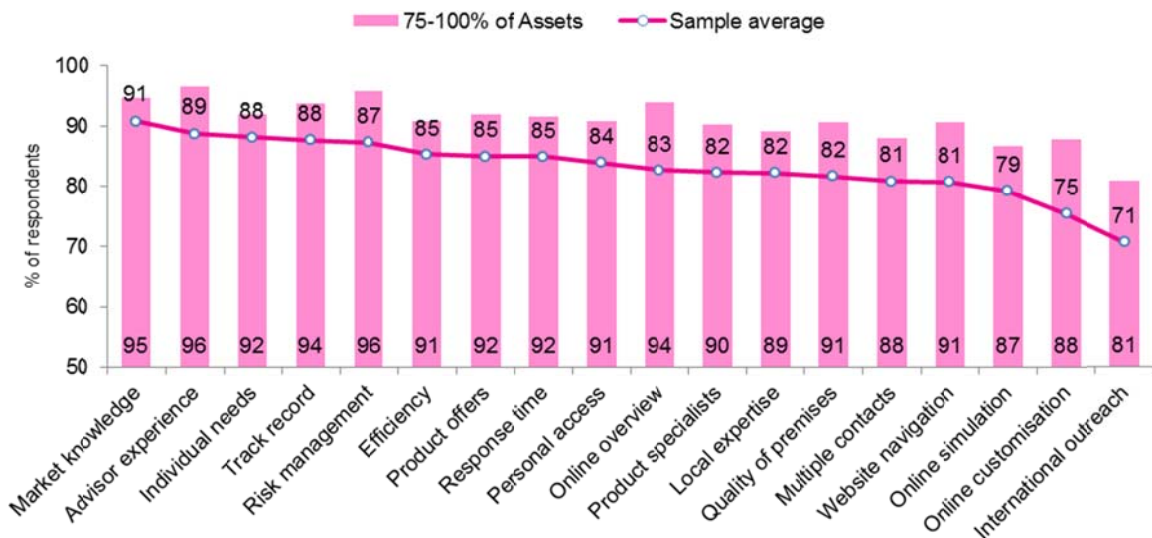


Figure 3: Carrying out a transaction: Performance score

Do you feel that your main wealth manager delivers a good performance in each of these areas? (Segmented by proportion of wealth managed by wealth manager)



THREE LITTLE WORDS THAT MAKE THE FUTUREWEALTHY SMILE

And yet, our experience following the world's wealthy has taught us that, as a group, they obsess over three little words. We are not referring to the declaration of love but instead the simple question: "What happens next?"

To the Futurewealthy, the future is both an accessible reality and a distant realm where the unimaginable seems possible. They fixate on it, because it is the receptacle for their dreams.

Of course, the challenge for wealth managers is that everyone's vision of the future is different. In fact, there is one particular group whose views about the way they should interact with their financial providers departs from that of their peers. They are those aged under forty – or, as we know them – Generation Y.

Among the Futurewealthy, this hard-working group are sprinting fast up the wealth curve. On average, they have an annual income of USD361,000 and have approximately five wealth management relationships each.

To Gen-Y, a great transaction experience means benefitting from an abundance of attributes – from the delights of local expertise to the idiosyncrasies of an online offering [Figure 4]. They want it all.

Perhaps, it is predictable that those under the age of 40 have a greater desire for digital delivery than their predecessors. However, the extent to which this is the case may be a surprise; to tomorrow's Futurewealthy, the advisor's destiny is irrevocably entwined with the digital world.

This is significant given that the youth of today are slightly less impressed with the value proposition than their more experienced peers. Across every single phase in the transaction experience, Gen-Y rank their provider's performance lower than the average [Figure 5].

In fact, one in four of them is displeased with their wealth managers ability to deliver a customised digital view of their wealth.

The responses are not overwhelmingly bad, it just seems that future clients have different expectations about the way they want to transact. Their future is looking decidedly digital.

Figure 4: Carrying out a transaction: Importance Index

When carrying out a transaction with your main wealth manager, how important were the following factors in delivering a great experience? (Segmented by age)

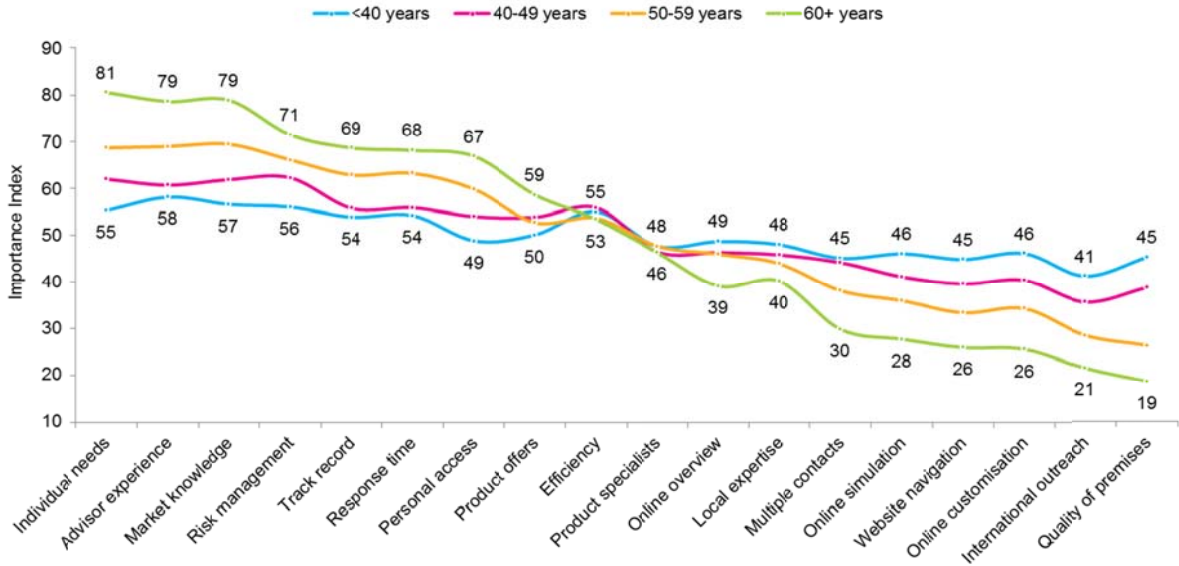
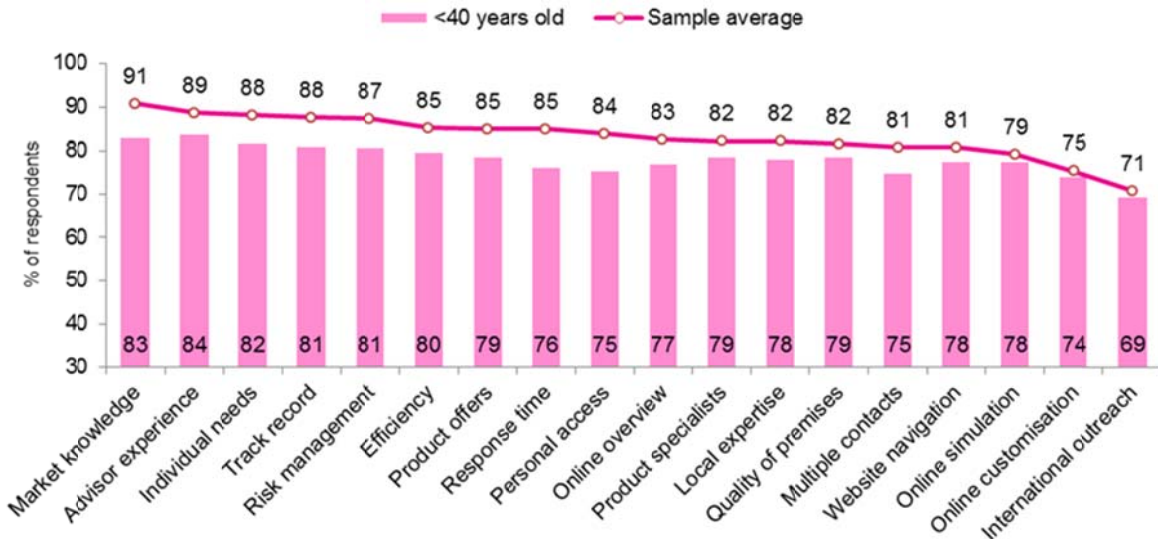


Figure 5: Carrying out a transaction: Performance score

Do you feel that your main wealth manager delivers a good performance in each of these areas? (Segmented by age)



DELIGHT IS A DIRECTION OF TRAVEL, NOT A DESTINATION

So wealth managers need to take their supporting technologies up a gear if they are to really delight their youngest customers. It begs questions about the direction of travel for the story of technology and the transaction.

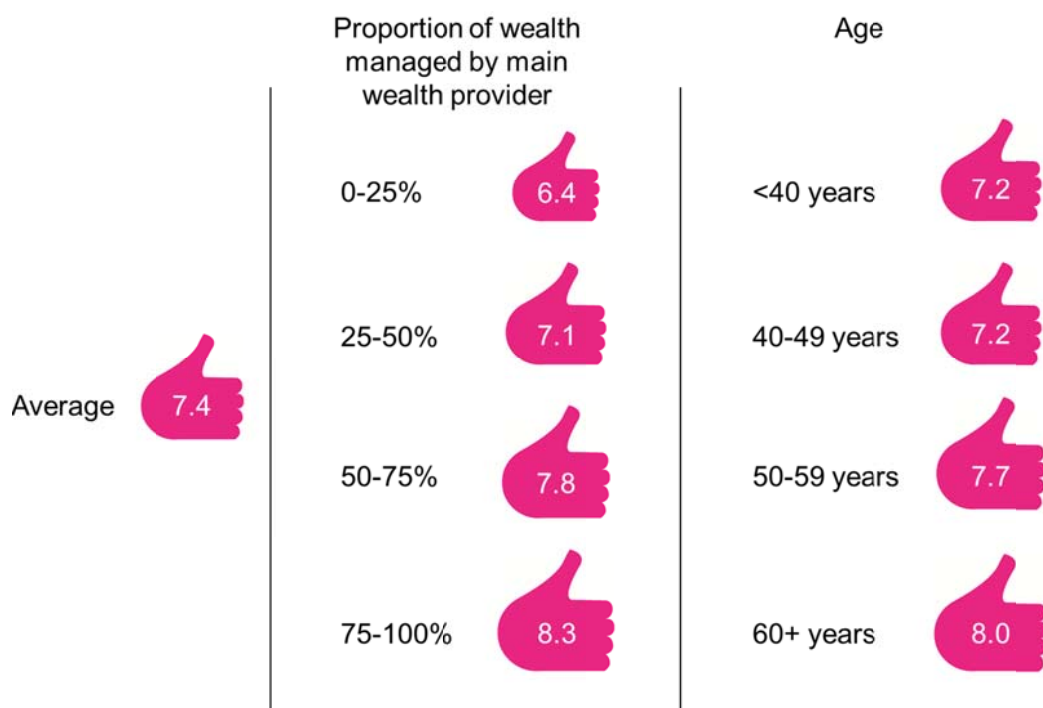
Fortunately, it will not be a case of travelling from 0 to 60 in less than 30 seconds when it comes to digital delivery. They have a headstart. In fact, the Futurewealthy are already giving their wealth managers a score of 7.4 when it comes to the task of providing access to an online solution that can support their purchases [Figure 6].

The Futurewealthy in the most trusted relationships – with over 75% of their purse at their main wealth manager – are most impressed with their firm’s digital profile with a score of 8.3. By contrast, those with a more limited financial commitment of less than 25% give a mark of just 6.4.

We see a similar story peering down the generations. Junior members of the Futurewealth clan are marginally more reticent about their providers success in delivering online access than their more mature peers. Even so, the scores are still at benchmark.

Figure 6: Online access satisfaction

How satisfied are you with the experience of accessing your primary wealth manager’s information online? (Score out of ten)



The importance of this digital access should not be underestimated given that the Futurewealthy are online enthusiasts. In fact, digital capabilities are a very crucial part of the transaction experience; 92% of them use online tools to support their wealth management activities.

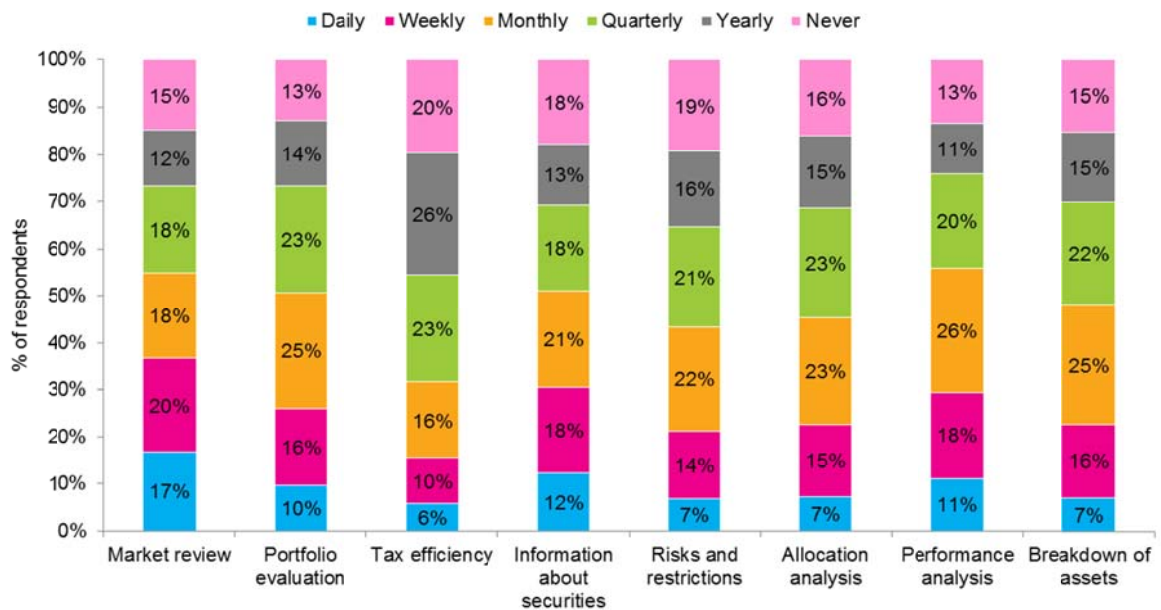
More than half of them are drawn in by the knowledge gathering potential that their digital system provides, clicking to review markets, securities and undertake performance analysis every month [Figure 7].

The range of online activities they carry out suggests that they want a full view of their wealth through cyber space. The advisor may be the main source of delight in their transaction experience, but the world's well-heeled want it to be a level playing field.

They want to see the same screen as the experts.

Figure 7: Online account usage

How often do you use your online account provided by your primary wealth manager to view the following?



Perhaps this is why the youngest of the Futurewealthy believe digital capabilities should work much more in tandem with their advisor. Through their online portal, they take a more dynamic role in monitoring and analysing their own affairs than many of their more mature peers.

In fact, those aged under 40 are positively hyperactive when it comes to cyber engagement [Figure 8]. Almost 70% of them assess the market through their online account at least once a month, while two-thirds also examine information about securities.

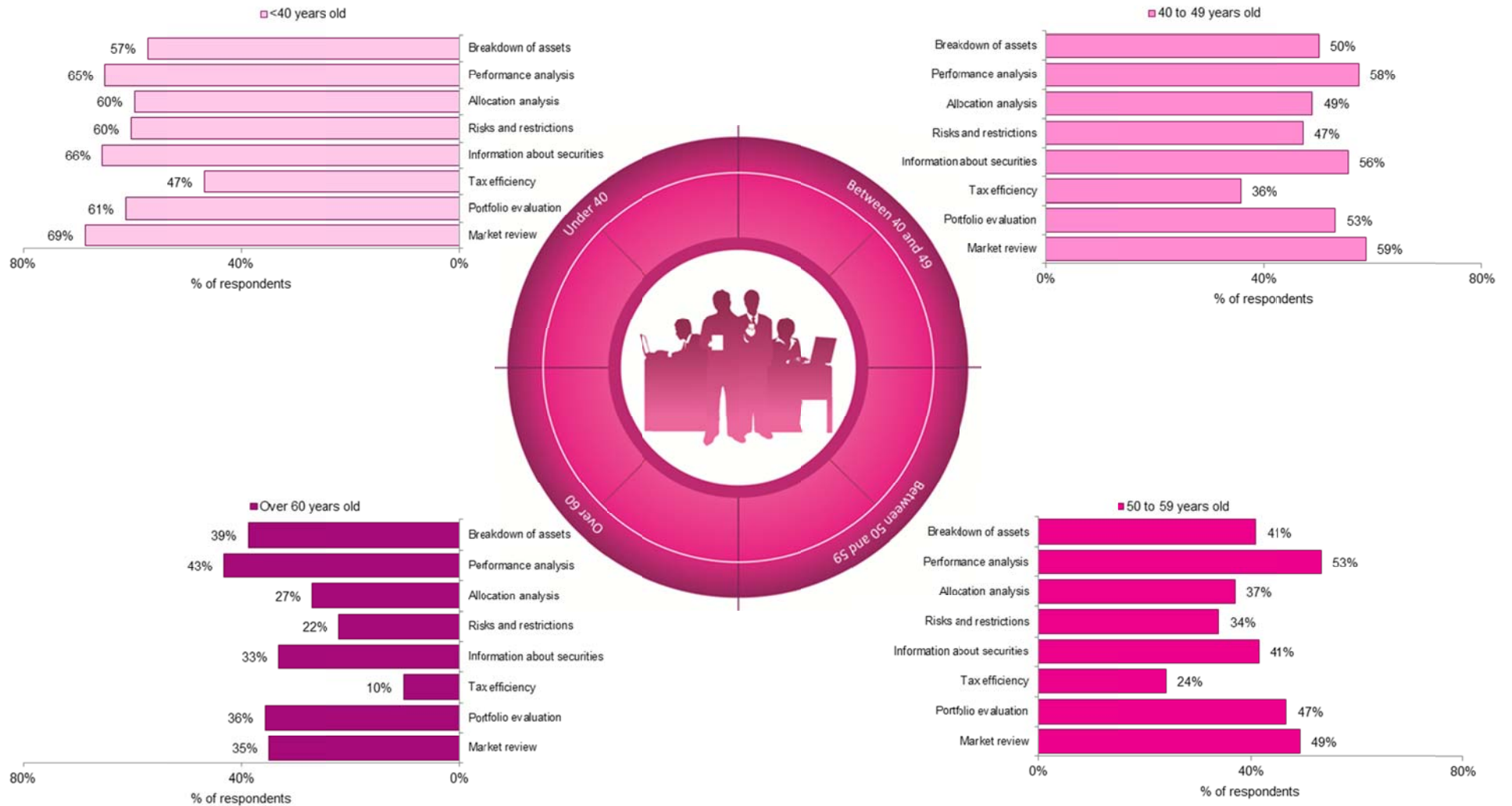
Even when it comes to more niche activities, GenY are still regularly logging on. About half of these digital denizens are checking their tax efficiency every month.

But crucially, the digital transaction is not the preserve of the youth. Some of our silver surfers also enjoy the thrills of cyber exploration.

Actually, 43% of those over the age of 60 are checking up on their portfolio performance over the net at least once a month. And, almost two fifths of them review their asset breakdown as regularly.

The Futurewealthy are clearly using digital solutions to support their purchasing decisions. Although, at this stage it seems that they are relying on cyber space for information, rather than interaction.

Figure 8: Monthly online activities



TO BE CONTENT DOES NOT MEAN YOU DESIRE MORE, IT MEANS YOU ARE THANKFUL FOR WHAT YOU HAVE AND PATIENT FOR WHAT IS TO COME

So what then is the future for the wealth management transaction? Even though the Futurewealthy are broadly happy with digital elements of their engagement with a firm, wealth managers should think about customer perceptions about how the service delivery should be evolving.

To the Futurewealthy, the online account provided by their wealth manager should be user friendly and easy to navigate.

However, the weakness point is that financial solutions are not as engaging as they could be [Figure 9]. Actually, about a third of the world's well-heeled did not feel that they could easily communicate their preferences to their wealth manager using their web channel.

It suggests that while the Futurewealthy may be delighted by their existing experiences, they are looking for online conversation to enhance their transactions in the future.

Figure 9: Online account characteristics

I feel that my financial provider's online solution...?



WE DELIGHT IN THE BEAUTY OF THE BUTTERFLY BUT RARELY CONSIDER THE CHANGES IT HAS ENCOUNTERED TO ACHIEVE THAT BEAUTY

When something makes us happy, we forget that it has probably undergone several iterations to achieve its current state of glory. The wealth management transaction is no different; it is constantly evolving.

To this point, wealth managers have successfully created a transaction experience that brings the Futurewealthy happiness. The human interface is essential to making this experience something of wonder.

But, technology is a currently a supporting element to this experience. And yet, the world's wealthy are using their financial providers digital solutions with vim and vigour to find information that will support their purchasing decisions.

And yet, a metamorphosis is already underway. A new generation of clients with different expectations about what will delight them are reorienting the transaction experience even further towards digital delivery. The challenge for wealth managers then will be to integrate digital technologies even further into the value proposition. And, these new solutions will need to be even more engaging than before.

In our next paper, we will be thinking through the next phase of the customer journey. We will be asking the global elite whether they really feel that their wealth managers still have a good understanding of their financial needs as their relationship develops. And, what it takes to keep the magic alive once the honeymoon period is over.

ABOUT THE PARTNERS

Scorpio Partnership

Scorpio Partnership is a pioneer in the art of translating the complex needs of wealthy clients into practical, innovative and profitable solutions to target these customers. This award-winning firm has developed client insight from thousands of millionaires and billionaires around the world. With this knowledge, the firm has implemented strategic research, practical consulting and business innovation projects in over 35 countries.

NPG Wealth Management

NPG Wealth Management is a leading provider of European cross-border life assurance solutions standing for excellence, transparency and compliance in the (Ultra) High Net Worth and High Affluent business.

NPG Wealth Management's operations are based in Luxembourg, Ireland, Gibraltar and Bermuda. From these 4 jurisdictions, the Group provides compliant wealth management solutions with active presence across 11 core Pan-European markets. Over the years, NPG Wealth Management has built a solid reputation of service excellence with its insurance intermediaries and clients with in excess of 5 billion euros of assets under management. For more information, visit www.npgwm.com

SEI

SEI (NASDAQ:SEIC) is a leading global provider of investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth. As of December 31, 2013, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$559 billion in mutual fund and pooled or separately managed assets, including \$232 billion in assets under management and \$327 billion in client assets under administration. For more information, visit www.seic.com.

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