

# BACK TO HUMANS

## FUTURE CLIENT NEEDS AND ADVISORY IN PRIVATE BANKING

**GLOBALISATION**  
As a result of globalisation and the rise of emerging economies, markets are expanding worldwide. Digitalisation is driving this development by making merchandise, information and services location-independent. In addition, more and more people are living in international communities detached from national structures. On the one hand, this leads to increasing standardisation of offerings on an international basis; on the other, a counter-trend assigns more importance to local elements. There is a growing demand for "real" and "authentic" things that are rooted in local culture. Local networks create trust and counterbalance the anonymity of globalised structures.



**FLEXIBILISATION**  
The pace of everyday life is accelerating and individual lifestyles are becoming increasingly detached from external structures. The timing and location of work, leisure pursuits and consumption are increasingly flexible. This development is driven by digitalisation, particularly the trend favouring mobile devices. Today's consumer expects instant information and services at all times and in all places. In parallel, however, people have an increasing need to enjoy peace and to slow down so as to escape the hectic pace of everyday life for a brief moment, to reflect and get the important things in life clear in their minds.



**REGULATION**  
The financial services industry is becoming increasingly subject to government regulation. This development is driven by a desire for more security for investors and greater transparency. In the present-day world where society, business and technology are changing ever faster, dependability and credibility are becoming more important. New rules and directives are the expression of a Zeitgeist with a longing for lasting values. At the same time, however, regulation leads to more costs and expenses for clients as administrative superstructures are inflated and processes increase in complexity.



### DRIVERS OF CHANGE

**VIRTUALISATION/DIGITAL SOCIAL NETWORKS**  
Digitalisation will shift more and more aspects of life into the virtual world. For younger generations in particular, social contact is happening more and more in digital space. The way people showcase themselves on the Web is increasingly becoming the primary standard by which they are measured. Video games and virtual reality enable people to immerse themselves in ever more realistic digital parallel worlds. Coupled with this development, however, is a longing for real experiences and direct interaction with other people beyond digital social media.



**TRANSPARENCY**  
Advancing digitalisation makes data an increasingly important raw material. Data offers comparability and transparency and can therefore support decision-making processes effectively. However, this also increases dependence on algorithms. In addition, data gathering is associated with major challenges on the privacy front. There is a growing fear of total transparency in society. Data privacy is therefore also becoming more and more important. Consumers demand that companies protect their data effectively and do not pass it on to third parties without their consent.



**INDIVIDUALISATION**  
The individualisation of society means that lifestyles and values are becoming increasingly differentiated. People project their personal identity outwards both to distinguish themselves from others and to indicate their membership of a like-minded community. Micro-niches with more and more distinctive interest profiles are emerging. People expect more from industry accordingly: consumers demand tailored offerings that address their individual wants and needs. Consumption thus becomes a catalyst for making new contacts and integrating with a community, products become part of a person's identity and values.

**INCREASING LIFE EXPECTANCY**  
The average life expectancy has been rising steadily since the 1950s. The age structure in society is therefore shifting towards a world in which there are more older than younger people. The consequences are declining productivity and growing numbers of chronically sick people. Retirement planning is therefore becoming more important, and there is a growing need for care and nursing for the elderly. However, increased life expectancy also offers people more opportunities to shape their lives individually. A new market is emerging for leisure activities, consumer products and services specifically targeting senior citizens. There is also a growing demand for healthcare services and technological innovations that will help people to remain active and independent to an advanced age.



**ARTIFICIAL INTELLIGENCE**  
Next-generation software will be capable of identifying patterns in large data volumes and taking decisions independently. On this basis, more and more detailed consumer profiles will increasingly deliver forward-looking and context-based recommendations, with the aim of providing consumers with information and offerings that meet their personal needs exactly and are relevant in a given context. Such assistance systems allow personalised approaches to customers through digital channels. However, this also increases dependence on algorithms in order to cope with the flood of data. As a counter-trend, the unforeseen, the random and the human touch will become more important.

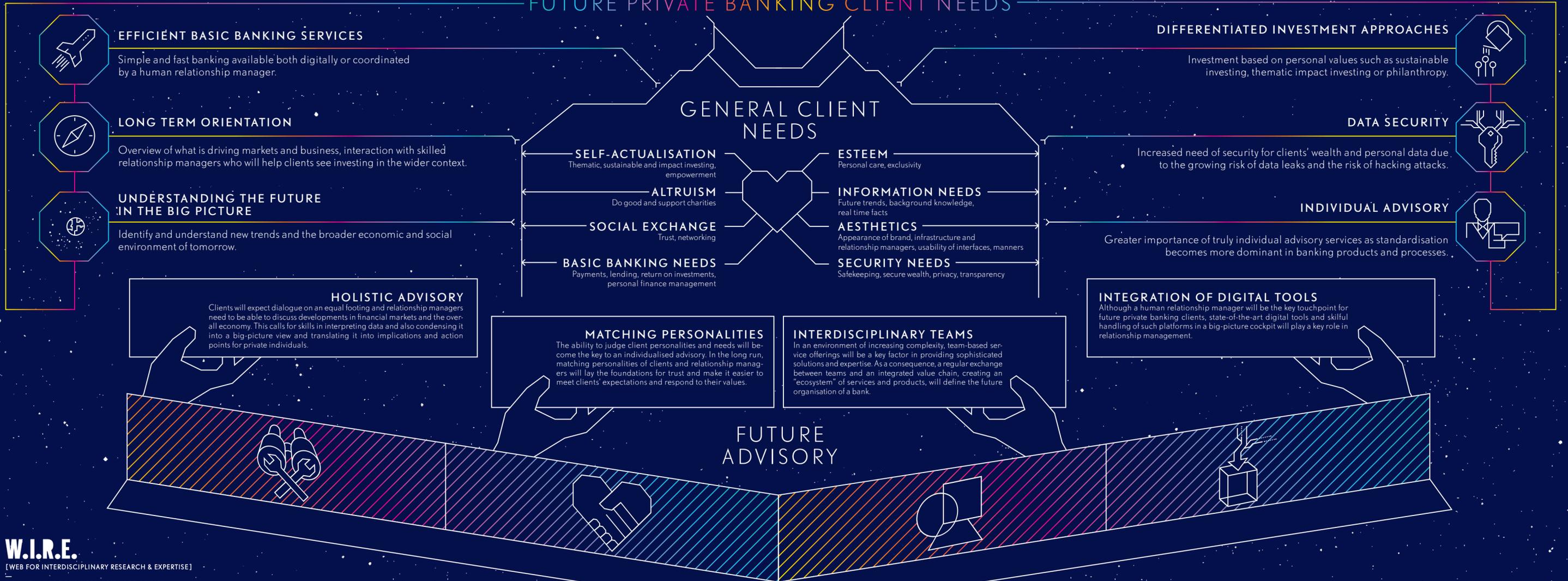


**AUTOMATION**  
Technological progress is enabling machines and software to perform more and more tasks and processes autonomously. The "Internet of things" networks devices and objects and allows them to communicate automatically. Self-service systems are becoming common in retailing and robots are used in nursing and care and in restaurants and catering. From the consumer's point of view this means more convenience, but also more depersonalisation and standardisation. This increases the need for more human warmth and personal interaction.



**VALUES**  
As people become more aware of the risks of climate change and the increasing shortage of natural resources, they also become more aware of sustainable and values-based enterprise. It is increasingly common for companies to be held accountable. Corporate responsibility is becoming more and more a core aspect of companies' and investors' vision statements. Consumers want transparency regarding a product's environmental footprint and production processes. They feel a need to take action and contribute towards protecting the environment and natural resources.

### FUTURE PRIVATE BANKING CLIENT NEEDS



# ON THE RISE OF DIGITAL CLIENTS

The banking sector is changing radically. Following a number of years in which banks focused on adapting to a spate of new regulations, digitisation is now opening up new space for innovations. At the heart of the transformation is the emerging fintech sector – start-up companies that aim to make banking faster, cheaper and simpler by offering digital financial services products.

Taking their cue from Silicon Valley, the epicentre of all digital innovations, fintech initiatives scrutinising the value chains of traditional banks are now springing up all around the world. The outlook for the growth sectors of tomorrow is normally based on an analysis of new technology platforms, promising a glimpse of the digital future of banks. Often, however, technology-based forecasts fall short because the technological possibilities exceed the limits not only of practical implementation, but also of desirability. First and foremost, people and their needs rather than technologies form the core of new markets.

The rise of the Internet has been accompanied by a major and sometimes even radical change in our behaviour in the past few years: communication, social exchange and knowledge transfer happen in the digital world in real time, virtually and on a basis of participation.

It seems an obvious conclusion that with this change in rituals a new kind of people is growing up, people who are adapting their behaviour totally to the dynamics of the technological transformation. This new generation is epitomised by the so-called “digital natives”, young people who cannot remember a time before the Internet, are online around the clock and organise their entire lives with smartphones and Internet services.

These people will also express their expectations of flexibility, transparency and efficiency in their role as bank clients. It is generally expected that they will accelerate the change in banking as a result. With the growing importance of the digital generation as the largest group of clients and decision-makers, the need for banks to adapt to the new environment will therefore grow as well.

However, is this change in banks’ clients really that radical? Will the interfaces between banks and clients be digitised? Which bank services will be delivered by virtual channels only in the future, and which ones will remain in the analogue world? Or in concrete terms: which parts of client handling will change, which parts will stay the same? And what role will these developments open up for account management – particularly at private banks?

Discussions of digital disruption are frequently linked to the question of what processes can be performed better and more efficiently by algorithms, so that humans can be replaced. From a different point of view, however, the main opportunity offered by digitisation is the chance to identify human core competences that cannot be simulated by machines. Future sustainable competitive differentiation will depend more than ever upon these skills, which include empathy, creativity and imagination.

This publication is based on a study produced by the W.I.R.E. think tank. It presents the key insights obtained from the analysis. The core focus is on clients and their future needs, since they will ultimately determine which technologies and which advisory concepts will survive and will therefore be central to innovation in the bank of the future. However, inferences can also be drawn about the role of wealth managers and banks which highlight practical areas for action on the one hand, but may also redefine the fundamental role and identity of a bank on the other.



# KEY INSIGHTS

INTO FUTURE CLIENTS, BANKING AND WEALTH MANAGEMENT IN THE DIGITAL AGE

## FUTURE PRIVATE BANKING CLIENT NEEDS



### Efficient basic banking services:

Clients will expect the provision of efficient banking services and will want these to be available both digitally as well as coordinated by a relationship manager. In addition, private banking clients will need access to sophisticated solutions for their financial goals and ideas.



### Long term orientation:

Digital banking tools are increasing the efficiency and transparency of simple financial services. However, the growing amount of data and abundant supply of information are making decision-making a more complex affair. Fast access to the latest stock market developments is ceding its importance to the need for orientation and a mid- to long-term perspective. With the growing importance of digital banking tools, one key client need will therefore be interaction with skilled relationship managers to help them understand the big picture. Clients will also expect their bank to think ahead and produce tailored, innovative ideas to achieve their financial goals.



### Understanding the future in the big picture:

Most private banking clients are in responsible, leading positions in business or society. They are interested in assessments and guidance relating to key developments that go beyond financial services, and they expect to enter into dialogue with a relationship manager or a bank specialist on such topics. For some clients, the early detection and assessment of new trends is relevant today and will become even more so in the near future.



### Differentiated investment approaches:

In addition to the primary goal of preserving or growing their wealth with a tailored strategy, growing numbers of clients are, in line with their personal values, broadening their requirements to sustainable investing, thematic impact investing or philanthropy.



### Data security:

With the growing risk of both data leaks and the risk of hacking attacks clients will expect the highest degree of security for their wealth and their personal data, even though the banking system is transparent and based on white money.



### Individual advisory:

Most clients expect an individual and tailored approach to their personal needs and ideas. The crucial issue will be not to favour either digital or analogue methods, but to deliver the best service for an individual's needs. In many cases, computers and big data algorithms have limitations, and trust is built on human relationships. Digital tools are expected as a standard service offering, but the key to meeting private banking needs is a human relationship between the client and bank personnel.

## FUTURE PRIVATE BANKING

### Disaggregation of value chains:

Since fintech's added value anticipates many of the future key client needs, it is highly probable that digital platforms will become more important in banking and wealth management. This will lead to diversification of the existing banking landscape with new digital providers and also contribute to a disaggregation of the value chain.

### Standardisation:

The digitisation of banking will lead to more standardisation in client handling and product offerings. While the rise of fintech will therefore improve efficiency and lower costs, it will not meet the more complex demands of private banking clients. With the rising dominance of digital banking business models, there will be a growing need to achieve service differentiation.

### Differentiation of business models:

The business models of retail and private banking will drift apart. Retail banking will become automated and shift to digital platforms for most service areas, based on high standardisation. In private banking a tailored, individualised and specialist-based advisory service will remain a key aspect of the value proposition.

A private bank could deliver its services by three possible advisory models, depending on the interpretation of the relationship manager's role and the use of technology:

1. *High-touch, integrated private banking:* relationship managers will form part of a full-service private bank that provides specialist services and has its own banking backbone as the core means of managing client interaction.

2. *High-touch, small-scale relationship management:* with the rise of competitive and trustworthy digital banking platforms, the need for a large institution will decline. This supports the use of independent client advisors or asset managers who will pick the best services from a growing number of digital offerings.

3. *High-tech, low-touch private banking:* on the basis of a vast range of specific platforms, there will be less need for the human relationship manager. Clients will have access to full information and all services and be able to manage their wealth independently.

The results of this study indicate that a model based on a human-centred advisory service will be the more beneficial way to meet future client needs.

Competitive differentiation in private banking will be based on how individual clients' needs are addressed, the skillset of relationship managers and internal specialists and a clear positioning that is reflected in the bank's offering and culture.

### Redefined privacy:

Smart analytics will be part of the future business model, but only if wanted by the client. Big data analytics and the smart usage of databases will be a substantial part of future private banking, because clients are often willing to share private information in order to receive personalised recommendations. However, the approach to using client data will be delicate and require differentiation.

Digitisation will make privacy not less, but more important, but it is being redefined: the increasing pressure to ensure transparency has its negative consequences, and it is crucial to protect personal information. At the same time, however, data can be used to gain a better understanding of clients, enabling the bank to provide individualised services. A strategy to protect client data while still enabling it to be used to benefit clients therefore has to be developed.

## FUTURE ADVISORY AND RELATIONSHIP MANAGEMENT



### Holistic advisory:

Since clients will expect dialogue on an equal footing, relationship managers need to be able to discuss developments in financial markets and the overall economy as well as applying their basic financial skills. In order to provide orientation and a holistic advisory service, the ability to interpret facts and data and condense them into a big-picture view will be important.



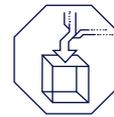
### Matching personalities:

Knowing not only what a client wants based on investment activities and interests but being able to give advice based on understanding a client's personality will be a key factor for an individual advisory. In the long run this could also lead to matching relationship managers to clients based on the right personality fit. This will lay the foundations for trust and make it easier to meet clients' expectations and respond to their values.



### Interdisciplinary teams:

Team-based service offerings will be a key factor in providing sophisticated solutions and expertise on all levels of clients' expectations. This requires interdisciplinary working models including experts from all the bank's service areas, coordinated by the relationship manager.



### Integration of digital tools:

Although a human relationship manager will be the key touch point for future private banking clients, state-of-the-art digital tools and skilful handling of such platforms in a big-picture cockpit will play a key role in future advisory.