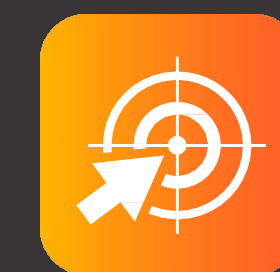


# Accelerating Digital Transformation in Wealth Management to Deal with the COVID-19 Impact

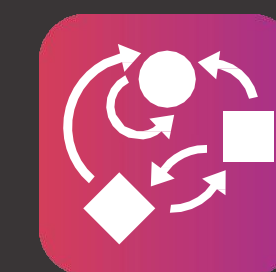
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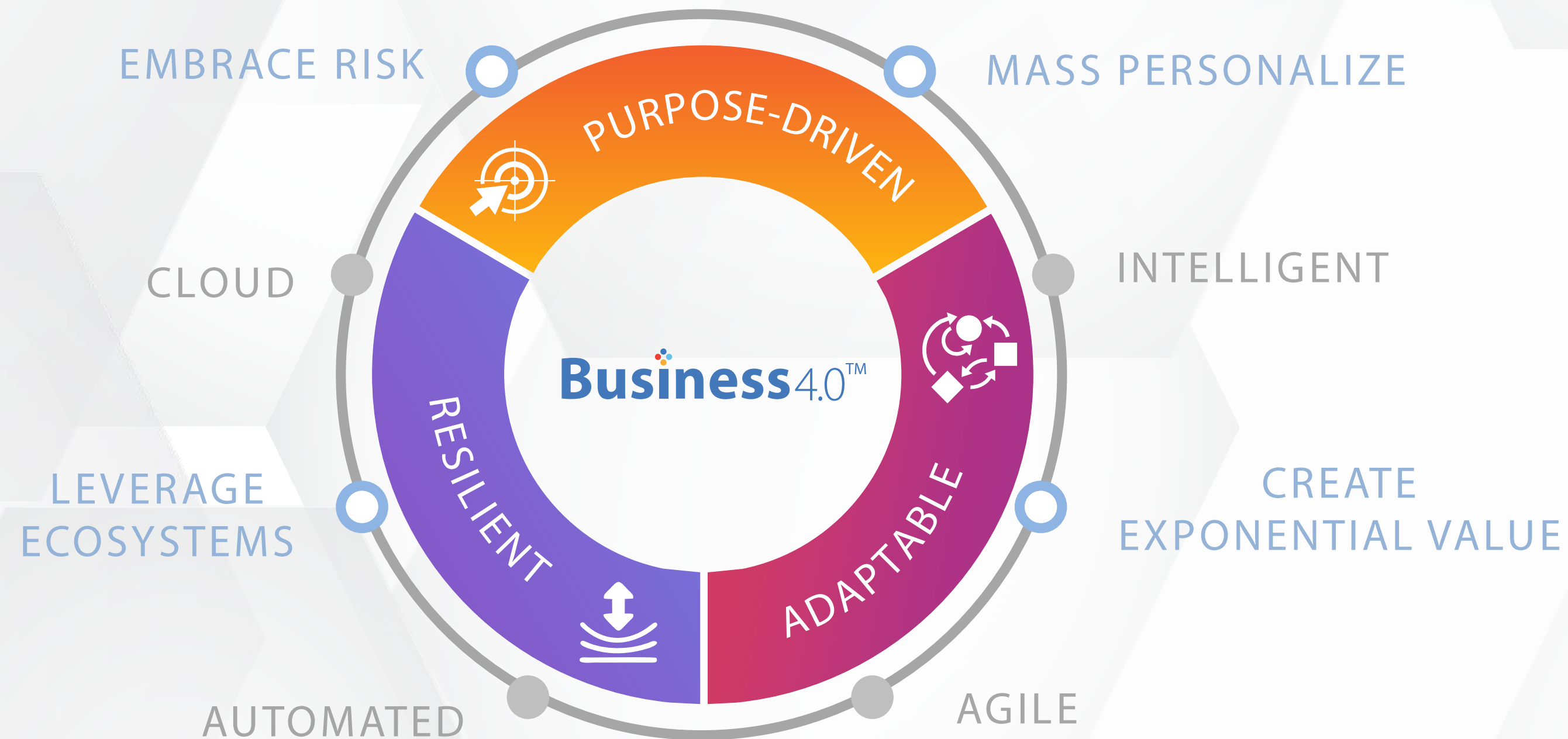


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## About the Author

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Kuldeep Shrimali is a senior domain consultant with the Capital Markets Industry Advisory Group of TCS' Banking, Financial Services and Insurance (BFSI) business unit. He has over 19 years of experience in delivering consulting, solution development, and program management engagements to global financial institutions. He has also been involved in large transformations for TCS' clients across North America, UK, Europe, and APAC region. Kuldeep holds a Bachelor's degree in Electronics Engineering from Swami Ramanand Teerth Marathwada University, Nanded, India.

## Abstract



The COVID-19 pandemic has resulted in the global macro-economic environment becoming unpredictable with the possibility of a recession looming on the horizon. The pandemic's impact has been all pervasive, affecting all economic sectors including retail, hospitality, and banking, financial services and insurance. In wealth management, the impact has been significant with key firm-level financial parameters such as assets under management (AUM), advisory revenues, net income, and revenue growth plummeting to record lows. Investor confidence too has hit an all-time low in major markets.

Fiscal and monetary stimulus packages ranging from liquidity and credit lines to relaxing regulatory requirements around Form ADV and required minimum distribution (RMD) rules to supporting remote notarization and other such measures have been introduced in the US. Similar measures have also been introduced in other markets including the UK and Europe. This white paper focuses on how wealth management firms need to gear up for a period of uncertainty and adapt to the post COVID reality through digital initiatives.



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## Industry Outlook



Wealth management firms are weighing the COVID impact on their business models considering multiple scenarios. In our view, evaluating the implications on firms' business strategies based on the lifecycle of the pandemic will help define a systematic response to contain the impact. We see the future unfolding in four phases. In the initial **crisis** phase, the pandemic will grow and eventually plateau, after causing severe loss of lives and livelihoods and damaging economies. Firms need to be resilient and adaptable during this phase. This will be followed by a **transition** phase marked by declining infections and deaths, thus facilitating relaxations of restrictions and uptick in economic activity.

In the **post-COVID** phase, we expect a gradual resumption of growth. In our view, the **transition** and **post-COVID** phases will together define the next normal for the wealth management industry where ecosystem-based business models and purpose-driven solutions will become prevalent while resilience and adaptability will be an inherent part of firms' DNA. Once they come out of the post-COVID phase, wealth management firms will need to adopt an approach that balances growth, continuous transformation, and sustainability to **future-proof** their business against such paradigm shocks in the future.

# Addressing the Impact: An Action Plan for Firms



Wealth management firms must adapt their response to the various phases of the crisis as the needs will evolve as the pandemic plays out.



## Crisis phase

The focus in the initial phase has been on ensuring business continuity and uninterrupted service delivery to clients. To this end, firms have enabled secure remote access for financial advisors through appropriate digital options and scale up the technology infrastructure to remotely support business demands. At the same time, firms have ensured adherence with revised guidelines and operational exemptions announced by the regulatory bodies in the wake of the crisis.

With lockdowns and social distancing norms restricting in-person meetings, firms have armed financial advisors with interactive collaboration tools such as video conferencing and co-browsing apps. Some companies have also relaxed performance expectations since advisors are constrained in adding new accounts by their inability to schedule face-to-face meetings with prospective clients. Advisors are focusing on assisting their clients in apprising the impact of the crisis on their portfolios and

rebuilding confidence with an eye on the long-term investment outlook. Firms must increase client outreach through other digital options like personalized videos, flash briefing, podcasts, YouTube channels, and secure text messages. On the other hand, wealth management firms are also witnessing an uptick in business activity as many clients have increased contribution to donor-advised funds (DAFs) in response to the COVID crisis.



## Transition phase

Focus must shift to reimagining the advisor workplace and client engagement as well as accelerating digital transformation programs to transition to digital-only advisor and client relationships. Broadly, wealth management firms' digital agenda must include key aspects such as customer 360-degree view, holistic financial planning, channel transformation, client on-boarding (including biometrics and facial recognition authentication), client communication, estate planning, intelligent automation, back office process optimization, and document digitization

(including virtual notarization). Along with this, firms must undertake application modernization and simplification initiatives to optimize costs and lay a foundation for building next-gen digital capabilities. Firms must review cloud adoption strategies and tweak the roadmap as appropriate to realize the potential of public and hybrid cloud computing services. Contact center transformation is another area where firms will need to enhance digital capabilities such as self-service tools, conversational agents, and customer analytics to improve service.

Scaling up the advisory business and adding new offerings such as digital investment advisor platform (robo-advisory), direct-to-customer financial planning services, and financial wellness tools will be key to driving growth. Firms must also prepare for an increase in demand for environmental, social, and governance (ESG) funds, alternative investments, and new pricing models such as subscription-based fees.



## Post COVID

Firms must continue the digital transformation initiatives initiated in the transition phase and start focusing on strengthening the hybrid digital advisory model. Firms must offer best-in-class self-service digital tools to both advisors and clients; for example, using an artificial intelligence (AI) powered voice enabled digital assistant can enable personalized client interactions and provide round-the-clock service. A mobile app can be deployed to allow instant contact with clients and organize meetings. Reimagining client journeys across digital touch points to make them more intuitive and interactive as well as deliver exceptional customer experience must also take priority.

Hyper-personalized advice that matches the customer context will see a rise as clients scramble to minimize the adverse impact of the crisis and tweak their portfolios to increase returns. Building a next-gen data analytics platform can deliver insights that can be leveraged by financial advisors to offer contextual recommendations, for instance, where clients have multiple portfolios for different purposes like investments or retirement. Firms must also explore the ecosystem model and look at partnering with external entities to create suites of new products and services aimed at meeting the purpose that drives customers. For instance, wealth management firms can partner with fintech

players that offer customer behavioral analytics. Insights into customers' spend patterns and financial behavior can help advisors to modify financial plans and recommend measures to meet financial goals. Such proactive advisory will not only enhance experience by enabling customers to achieve the underlying purpose of financial planning – saving for a home or a holiday – but also strengthen the holistic financial planning function of firms. In addition, firms must continue to explore new markets and products to add new revenue streams besides remaining open to merger and acquisition (M&A) opportunities given some firms are likely to be badly impacted by the COVID-19 crisis.





## Future-proofing

As wealth management firms traverse the different phases of the pandemic, digital technologies and capabilities will become mainstream. To compete effectively in such an environment, firms must invest in secure and scalable technology infrastructure to support digital customer engagement and drive growth. Firms must optimize the branch office network and build a virtual advisory platform to service the mass affluent client segment in a cost-efficient manner. A central hub with a team of skilled advisors can remotely offer advisory to

geographically dispersed clients leveraging the collaboration tools available on the virtual platform. Best-in-class advisory tools and interactive virtual collaboration channels such as video conferencing and co-browsing apps must be embedded into the virtual platform to provide personalized advice at low costs compared to traditional models. Creating specialized advisor pools with expertise in specific client segments or fields at a central location will enable firms to efficiently match clients with advisors best suited to serve them. Adopting the

central hub model can help firms build a scalable and sustainable advisory model by reducing the need for a widespread, cost-intensive, brick-and-mortar branch network. Digitalization will be in the spotlight given its role in building the resilience and adaptability to withstand future shocks; however, operational cost optimization and business continuity planning will continue to be key aspects of future-proofing strategies.



## Transform and Win

Accelerating digital transformation will be a key imperative for wealth firms to deal with the COVID-19 impact and emerge stronger. Firms may, however, be constrained by a lack of in-house resources and talent to build next-gen digital capabilities and solutions. A strategic partnership with an experienced IT service provider with the requisite contextual and domain knowledge and the technical skills to build a wide array of digital capabilities may help. Speeding up the digital journey will require firms to choose the right partner after a comprehensive market analysis. Finally, the need for speed cannot be over-emphasized – rapid digitalization of wealth management firms is the key to successfully navigating uncharted waters in the post COVID era.

## Contact

For more information on TCS' Banking & Financial Services, please visit <https://www.tcs.com/banking-financial-services>

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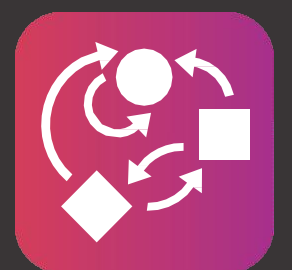
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