Asia-Pacific press contact:
Zohria Nunis
Tel.: +65 9815 1967
zohria.nunis@capgemini.com

Global press contact:
Mary-Ellen Harn
Tel. +1 704 490 4146
mary-ellen.harn@capgemini.com

Asia-Pacific wealth management: Hybrid advice that blends human touch with digital tools is the future

Hybrid advice is a significant lever for firms to increase high net worth individual assets, but progress on transformation is lagging

PARIS, November 6, 2017 — Asia-Pacific High Net Worth Individuals (HNWIs)[1] display a strong demand for hybrid[2] wealth management advice, according to the 2017 Asia-Pacific Wealth Report (APWR), released today by Capgemini. Although wealth manager-held Asia-Pacific (excluding Japan) HNWI investment performance grew an extraordinary 33 percent in 2016, satisfaction with wealth managers dwindled as HNWIs sought holistic value beyond investment returns. With a lack of progress by firms in self-service wealth management delivery, traditional wealth management firms risk ceding ground to BigTechs[3].

Asia-Pacific wealth management firms must accelerate their hybrid advice model transformation to bolster HNWI satisfaction, unlock financial benefits, and protect themselves against BigTech disruption, APWR findings suggest.

Asia-Pacific HNWI demand for hybrid advice is highest in the world

HNWIs in Asia-Pacific, excluding Japan, led the world in demand for hybrid wealth management advice (49.6 percent), compared with Europe (49.1 percent), Japan (47.6 percent), Latin America (45.6 percent), and North America (35.1 percent.) HNWIs in Indonesia, Hong Kong, and Japan call for hybrid advice the most, while Japan, Hong Kong, and Australia are leading demands for outright automation of some wealth management capabilities.

Anirban Bose, Head of Global Banking and Capital Markets at Capgemini said, *"Many Asia-Pacific wealth management firms are well into their transformation journeys, but 42.8 percent have not progressed beyond the proof-of-concept stage, and 21.4 percent have not begun any hybrid advice initiatives."*

Executives and analysts are aligned with the choice of HNWIs to consume services via self-service delivery, an advisor-led approach or a combination of the two; preferences vary depending on the stage of the client lifecycle as well as individual characteristics. Chinese HNWIs (52.1 percent) are most inclined toward a hybrid approach.

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[1] HNWIs are defined as those having investable assets of US$1million or more, excluding primary residence, collectibles, consumables, and consumer durables
[2] Capgemini defines the hybrid-advice model as, "Putting clients in the driver's seat by allowing them to tap into life-stage and need-based wealth management and financial planning capabilities in a modular, personalized pay-as-you-go manner. These capabilities will be delivered through: the amalgamation of (1) a cognitive analytics-driven automated/self service delivery (such as for basic investment management); (2) a human-led delivery (such as for complex wealth structuring); or (3) a wealth manager-assisted hybrid approach – as preferred by the client"
[3] BigTech is a general term referring to technology firms not traditionally present in Asia-Pacific financial services, such as Alibaba and Tencent

Opportunity for wealth management firms to implement holistic hybrid advice models

Wealth management executives in Asia-Pacific welcome hybrid advice and many have begun their transformation, though their objectives differ from their peers around the globe. Compared with firms in the rest of the world, Asia-Pacific wealth management firms focus more on achieving operational efficiency and regulatory compliance versus revenue. They also lag behind their North American and European peers in hybrid program effectiveness – an issue compounded by lower satisfaction with hybrid advice from Asia-Pacific HNWIs in the under-served US$1 million-US$5 million segment, compared to those in the more affluent segments.

The APWR 2017 indicates that Asia-Pacific wealth management firms must fast-track their hybrid advisory efforts to improve high net worth client satisfaction, unlock financial benefits, and protect themselves from disruption from BigTechs such as Alibaba and Tencent. Asia-Pacific HNWIs, excluding Japan, show a higher proclivity to wealth offerings from BigTech firms at 72.5 percent compared with 50.5 percent from the rest of the world. Asia-Pacific wealth firms must adapt their people, processes, and propositions to drive the most value from hybrid advice efforts.

Among HNWIs in Asia-Pacific (excluding Japan), 90.1 percent say hybrid advice is significant in their decision to increase (or decrease) assets with a primary wealth management firm over the next 24 months, as compared with only 67.4 percent in the rest of the world. In Japan, 66.7 percent of HNWIs say hybrid advice is a significant factor in their decision to allocate assets.

Asia-Pacific Wealth Report 2017 Methodology

The Asia-Pacific Wealth Report from Capgemini is the industry-leading benchmark for tracking high net worth individuals (HNWIs) in the Asia-Pacific region, their wealth, and the global and economic conditions that drive change in the Wealth Management industry. The 12th annual edition includes findings from an in-depth primary research on global HNWI perspectives and behavior. The 2017 Asia-Pacific Wealth Report focuses on 9 core markets: Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, and South Korea. The market-sizing model includes 18 countries and territories (i.e., the 9 core markets plus New Zealand, Kazakhstan, Myanmar, Pakistan, Philippines, Sri Lanka, Taiwan, Thailand, and Vietnam.)

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