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Capgemini World Wealth Report 2017: High Net Worth Individual population and wealth hits new all-time high

Wealth managers deliver above-benchmark investment returns for HNWIs, but satisfaction lags in the face of HNWIs' demands for more holistic services and concerns with fees

PARIS, NEW YORK, September 28, 2017 — The 2017 World Wealth Report (WWR), released today by Capgemini, a global leader in technology, consulting and outsourcing, casts new light on the value of working with wealth management firms. The report finds that the average high-net-worth individual'[1] (HNWI) investments overseen by wealth managers[2] in 2016 increased in value by 24.3 percent. The gain substantially outweighs earnings from lower-cost passive index funds and gives wealth managers an opportunity to solidify HNWI relationships. This comes at a time when the global HNWI population and wealth are both at record highs and is in the face of the possibility that BigTechs[3] may begin to offer wealth management services. In addition to delivering stellar returns in 2016, wealth managers continued to build customer goodwill, with improved HNWI trust and confidence in industry stakeholders such as wealth managers and regulatory bodies.

According to the report, global 2016 HNWI growth rates accelerated significantly, with HNWI population expanding at 7.5 percent versus 4.9 percent in 2015, and wealth at 8.2 percent compared with 4.0 percent in 2015. HNWI wealth continues to be on track to exceed US$100 trillion by 2025 (projected in the 2016 WWR), as North America and Europe caught up with Asia-Pacific growth rates in 2016. Each of the big three markets, Asia-Pacific, North America, and Europe grew its HNWI population by about 7.5 percent and HNWI wealth by about 8.2 percent, representing large leaps in both North America and Europe and a slightly decelerated growth in Asia-Pacific.

[1] HNWIs are defined as those having investable assets of US$1million or more, excluding primary residence, collectibles, consumables, and consumer durables.
[2] According to WWR 2016, wealth managers oversee 32.1 percent of HNWI wealth. The rest is generally held as cash and in retail bank accounts, businesses, real estate, and self-directed investments.
[3] BigTech is a general term to cover data-driven technology firms not traditionally present in financial services, such as Google, Amazon, Alibaba, Apple, and Facebook.

A handful of markets, including Russia and Brazil, substantially improved their standings. Russia recorded the fastest growth, at about 20 percent for both its HNWI population and wealth, following modest 2015 decreases. Brazil had double-digit increases in both population and wealth, following a significant decline in 2015.

BigTech disruption is on the horizon

The momentum is a positive development in the face of the potential entry of BigTechs into wealth management. More than half of HNWIs (56.2 percent) say they are open to using BigTech services for wealth management, expecting efficiency, transparency, innovation, and excellent online capabilities, the report found. While BigTechs have not formally announced their wealth management entrance, incumbent firms are aware of the competitive threat, yet have different perceptions about the potential impact.

BigTechs could emerge as formidable competitors if they decide to enter the wealth management space by hiring experts and building their own capabilities. However, they could also act as true partners to wealth management firms, helping them to overcome tepid satisfaction rates among HNWIs. HNWI satisfaction level with their firms and wealth managers is muted at 58.5% and 56.3% respectively, with limited service options and fee structures emerging as possible reasons. Only 47.8 percent of HNWIs say they are fully comfortable with the level of fees charged for wealth management services.

High returns offer big opportunity

High returns averaging 24.3 percent from investments held by wealth managers do offer opportunities for wealth managers and firms. The report found that drivers supporting this strong performance included the global investing approach of HNWIs, the prevalence of credit, the growth focused mentality of many HNWIs, and strong asset class performance.

Executive Vice President Anirban Bose, Head of Global Banking and Capital Markets at Capgemini, said*, “Firms that are able to combine their wealth management expertise with BigTech customer experience skills could lead the way by offering truly innovative services.”*

Besides tipping the scales in satisfaction rates, offerings in collaboration with BigTechs could help fortify the loyalties of HNWIs in the lower wealth band (with US$1 million and US$5 million in assets), who are much less likely than wealthier individuals to recommend their wealth manager to others, according to an analysis of Net Promoter Scores® [4,5], included for the first time in the World Wealth Report. Given this group accounts for 90.0 percent of all HNWIs globally, it is critical for firms to better serve their needs.

[4] Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.
[5] Net Promoter Score® refers to the percentage of promoters minus the percentage of detractors. It is aimed to help firms focus on the twin goals of creating more promoters and fewer detractors.

Wealth management firm collaboration with BigTechs could lead to widespread disruption in the industry. It also has the risk of evolving into outright competition with BigTechs in the future. It is imperative, therefore, that wealth firms focus on developing their capabilities in scalable technologies to retain a competitive edge against any future solo ventures by BigTechs.

World Wealth Report 2017 Methodology

The World Wealth Report from Capgemini is the industry-leading benchmark for tracking high net worth individuals (HNWIs), their wealth, and the global and economic conditions that drive change in the Wealth Management industry. This year's 21st annual edition includes findings from in-depth primary research on global HNWI' perspectives and behaviors. Based on responses from over 2,500 HNWIs across 19 major wealth markets in North America, Latin America, Europe, and Asia-Pacific, the Global HNW Insights Survey explores HNWI investment behavior including asset allocation, fee models and investment preferences. The survey also measured current HNWI investment behavioral patterns of global HNWIs, including their asset allocation, HNWI confidence levels, and asset allocation decisions.

For more information or to download the report, visit www.worldwealthreport.com

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