

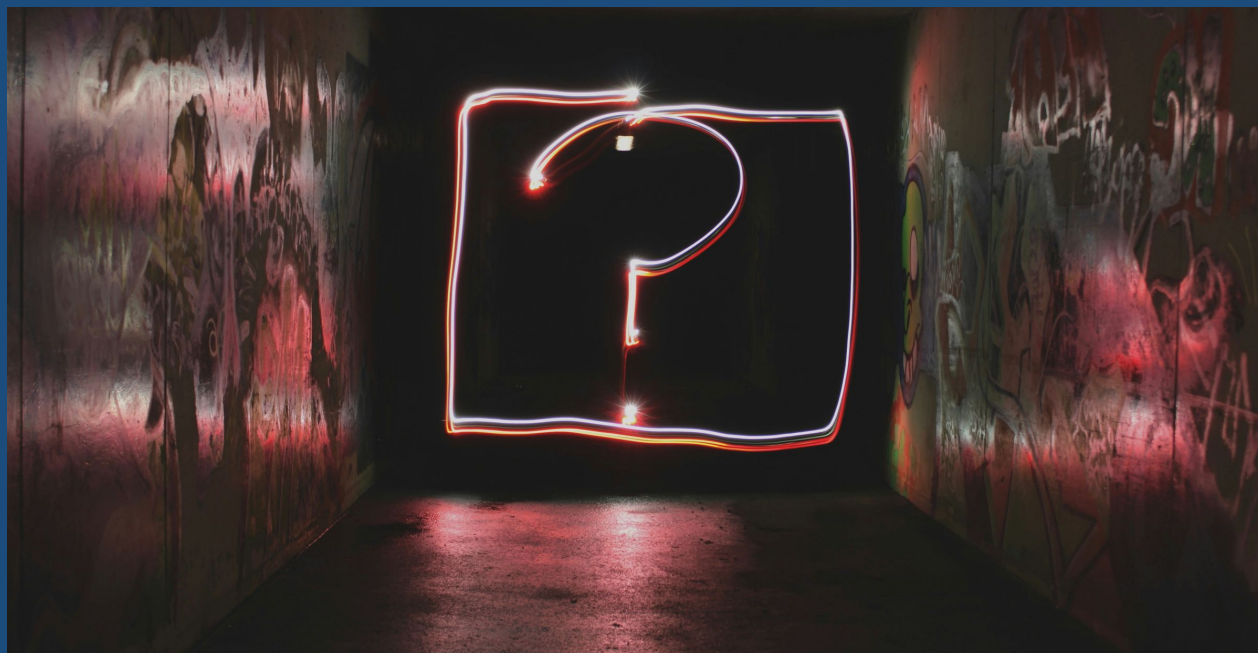


# Digital Services in Wealth Management

The changing demands  
of the high net worth  
investor

Working in partnership with





As UK wealth management firms are spending an increasing amount on technology, Compeer and moneyinfo have investigated how this coincides with changing demands from digital services from high net worth investors. Although it is now very common for wealth managers to have an online client portal, when reviewing digital services as a whole, investors are after much more than this. The findings in this paper are a combination of an online survey with 515 high net worth investors and Compeer's in-depth business performance benchmarking survey. The investor survey was conducted in December 2023 and all respondents had at least £250k of investable assets and have an existing relationship with either an IFA, Wealth Manager or Private Bank.

## Compeer

Formed in 1993, Compeer is recognised as the premier provider of business performance benchmarking for the UK Wealth Management and Private Banking industry, providing essential contributions to guide strategy and planning.

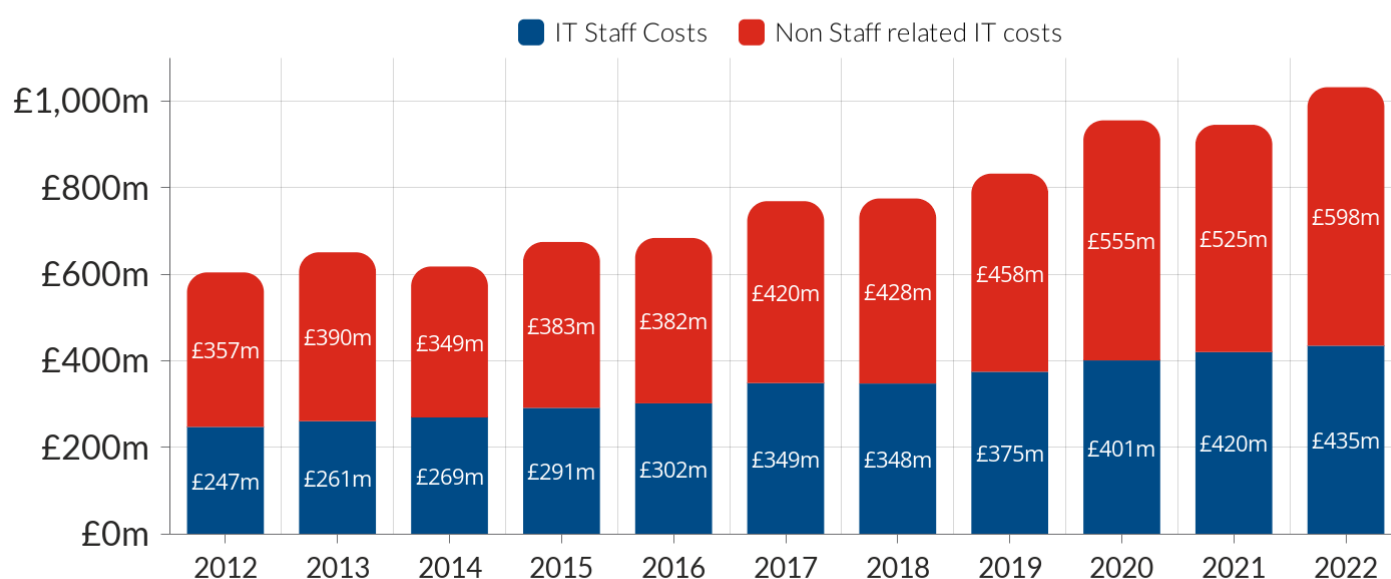
As well as undertaking primary research for clients and the industry, Compeer organises specialist wealth management events throughout the year, generating a unique insight into the key issues driving business performance in the wealth management industry.

## moneyinfo

At moneyinfo we're on a mission to make the wealth management community be the best it can be. By taking client engagement to the next level, one ambitious firm at a time. Our client portal and mobile apps are the must-have technology for forward-thinking financial advisers and wealth managers. With up to 4 times as many logins as a desktop portal our fully branded client apps deliver compliance confidence, enhance customer loyalty and improve profitability. It's more than a client portal it's a better way of doing business.

In 2022 the UK wealth management industry reached a milestone as total spend on IT surpassed £1bn for the first time. Since the start of the pandemic wealth firms have substantially increased their focus on digital services, with IT costs surging, following a period of five years with little change to IT budgets.

### Total IT Costs Whole UK Wealth Industry



Source: Compeer Annual Business Performance Benchmarking Survey

Although IT teams have expanded, and with this the total amount spent on IT staff costs, the main driver in the rise of total IT costs has been in non-staff related costs. In 2022 this value stood at £598m, some £170m higher than the pre-pandemic level in 2018.

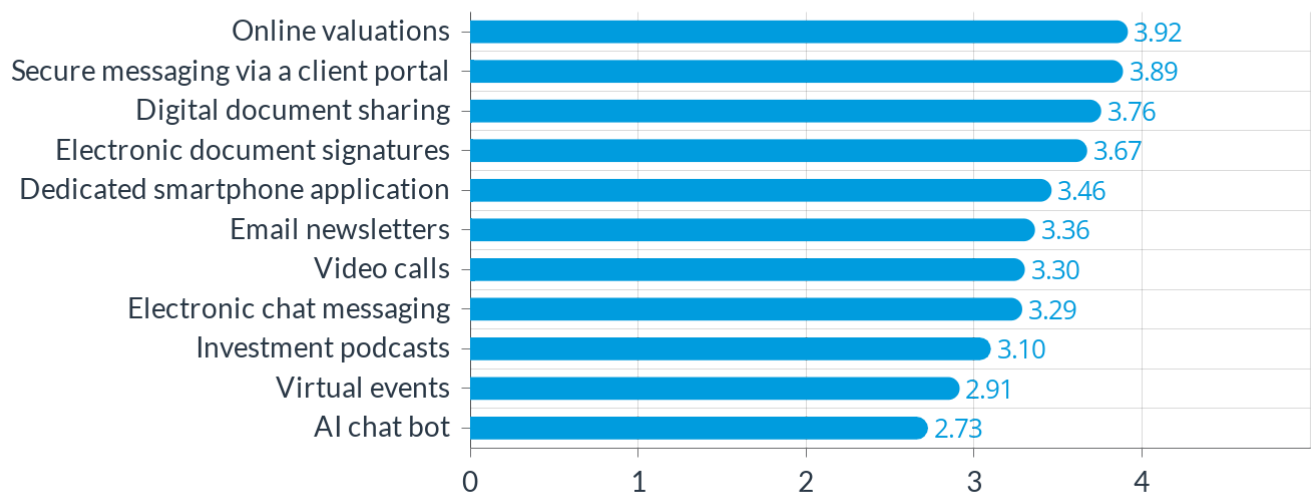
Discussions with firms also highlight how this expenditure is moving in one direction - up! Compeer forecasts have total IT costs rising to as high as £1.7bn by 2030.

The new technologies being introduced by these firms should have a material impact on the quality of digital services available to private client investors, with the remainder of this paper quantifying that impact via findings from end investor research.

With technology spend rising significantly, it is now extremely common for wealth managers to offer an online portal. However, do clients want far more than just an online valuation tool? When asked to score the importance level of various features of a digital service, although online valuations ranked the highest (as expected given the high demand for accessing this information regularly), it is by no means the only feature that is needed. As digital wealth services improve, so do the expectations of clients. From the results below it is clear that an all-round digital service is highly sought after.

**For the following digital services, please rate their level of importance to you when reviewing the service offered by a wealth management provider**

1 - Not important at all, 5 = very important (average score)



Secure messaging was only marginally behind online valuations on the importance scale, a clear indication that investors value the reassurance that their personal data is being protected through encrypted communications. Investors also want to use it to store vital documents and sign others, reducing the need to send out paper versions - thereby speeding up the delivery and increasing automation.

The only services to have an average rating below 3 out of 5 were virtual events and AI chat bots. During the pandemic, there was an abundance of webinars, so it is possible clients are starting to grow tired of these types of events. Instead, it now appears they are more open to returning to physical events. Meanwhile, although AI is a hot topic within the UK wealth industry, research among clients seems to support the industry view that take up will be slow as they would much rather talk directly with their adviser than an AI chat bot.

# 69%

of all investors gave secure messaging via a client portal a score of 4 or 5 out of 5 on the importance scale. Only 5% suggested it is of no importance to them at all.

High net worth investors continue to have high expectations and therefore no wealth management provider can simply rest on their laurels and assume clients will stay with them for the long term future. In fact, of the 515 investors interviewed, over half have switched providers in the past 5 years.

More than 50% of investors with more than £1m invested want large improvements to their digital experience and two thirds of these are somewhat or very likely to switch provider if their wealth manager does not improve their client portal, onboarding, reporting and mobile applications.

65%

of all investors have switched wealth management provider within the last 5 years

**Please indicate the extent to which you think the wealth management and advice market should make improvements in the following areas:**

From a rating of 1 (no improvement needed) to 5 (significant improvement needed)

	% giving a rating of 4 or 5 thereby suggesting large improvements are required			
	Client Portal	Mobile Applications	Client Reporting	Client on-boarding
£1m+	56%	59%	57%	51%
<£1m	41%	36%	40%	29%
40 or younger	48%	46%	50%	45%
41 - 60 years	49%	46%	49%	39%
61 or older	31%	26%	30%	16%
All Investors	44%	41%	44%	34%

Across each of the service features above, a high proportion of investors are seeking large improvements. Those with more than £1m are the most demanding and rather concerning for the sector more than half of these want improvements across client portals, mobile apps, reporting and on-boarding. The next highest set of values came from the youngest investors - the next generation of clients - who should not be ignored and many of whom already have significant investment portfolios.

50%+

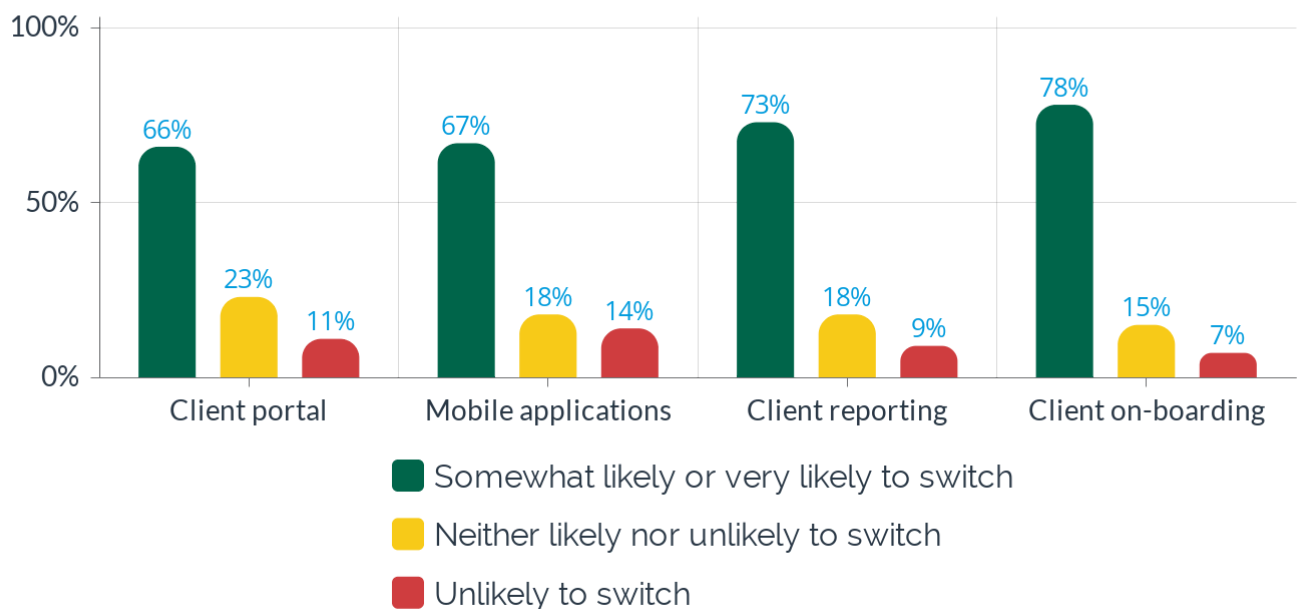
Of investors with more than £1m want improvements in each of client portals, mobile apps, client reporting and client on-boarding.



To further emphasise the need for wealth managers to take note of the large proportion of investors seeking improvements in digitally-influenced service features, we reviewed the level of outflows this could cause. Each of the individuals who want improvements were asked the likelihood of switching wealth management provider if no improvements are made, with the results below.

## If the performance of your wealth manager does not improve in each of the areas below, how likely are you to look for another provider?

Asked of investors who want large improvements (scored 4 or 5 in the improvements question)



The results were overwhelmingly in favour of switching providers, with more than two thirds of those who want improvements suggesting they are likely to switch if they no changes are made.

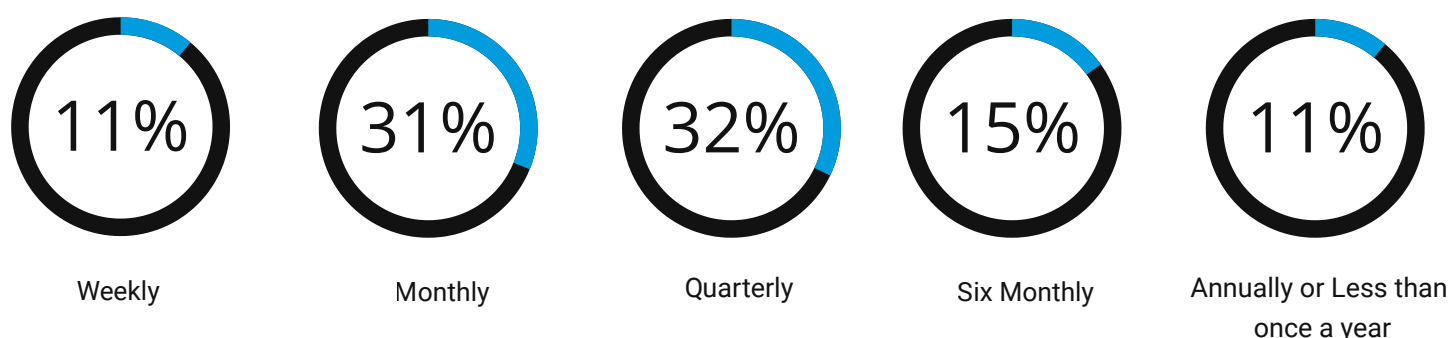
Currently, £1.3 trillion of private client assets are managed or administered by UK wealth management firms. With close to 40% of investors wanting improvements and 66% of these likely to switch providers if improvements are not made, that implies £340bn of assets are at risk of switching in the near future.

# £340bn

Private client assets that are at risk of moving providers if improvements are not made in service features that could be influenced by better digital offerings

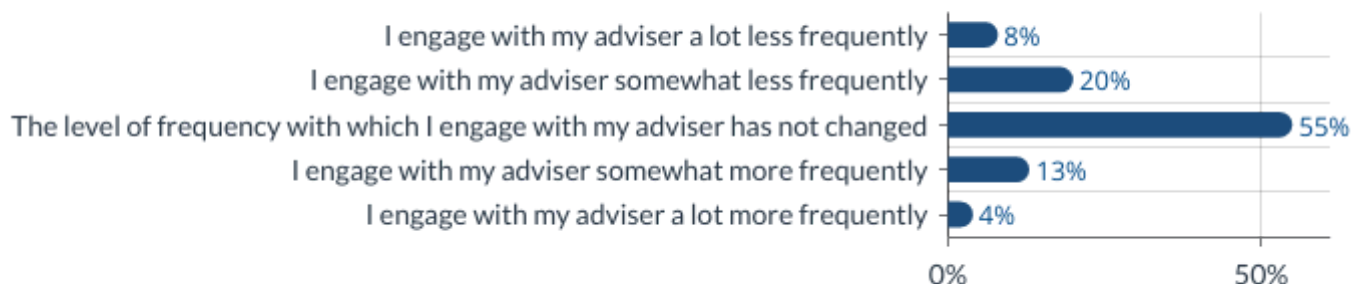
Over 70% of investors currently engage with their main adviser at least on a quarterly basis and typically the wealthier the investor the greater the level of engagement. This is understandable as one would expect advisers to provide greater focus on their higher value clients due to the larger revenues attached to them (85% of those with more than £1m engage on a quarterly, weekly or monthly basis).

## How frequently do you engage with your main adviser? All Investors



In a period of market downturn it could be expected that client engagement would increase as advisers seek to provide more assurances to their clients and maximise the value of the service. However, results in the investor survey contradict this and show there has been a net reduction in the frequency of engagement.

## How has the frequency of engaging with you adviser changed, if at all, in the last 12 months?



A key reason for the reduction in engagement could be the influence of digital services. With more clients using these and the greater automation they provide there is less reliance on them calling an adviser. Clients can therefore continue to check their valuations on a regular basis (many do this on at least a weekly basis - rising to 60% for those with £1m+), whilst advisers are disturbed less, giving them more capacity to take on additional clients and boost revenues - something that is much needed in the industry to counter surging costs.

# 43%

of all investors check the valuation  
of their portfolios at least on a  
weekly basis



Our branded client app receives up to four times as many logins as a desktop portal and it's not surprising. WhatsApp continues to be one of the most downloaded and used apps on the planet. Advice firms need to take advantage of this by providing the same capability in their own client apps. The very familiarity of this experience means that clients adapt to the new way of working much more quickly and easily.

Businesses that provide a client app enhance the perception of their brand. As well all spend so much time using our mobiles every day, having an adviser's app is a great way to grow brand visibility and loyalty. This is borne out by our stats which show advice firms are achieving an average of two client logins per week on their branded apps. Each time a client unlocks their phone, the adviser's brand is right there on their screen.

This research from Compeer shows that high net worth clients are demanding a better digital experience from their wealth management provider. Apps are now part of our daily lives, from shopping and socialising to travelling and finance and it's their very intuitiveness and ease of use that drives engagement. They are simply more convenient than a website login. It's clear that firms need to invest in apps if they want to build client loyalty and benefit from the increased profitability that digital engagement can bring.



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*If you wish to find out more about Compeer's research and business performance benchmarking surveys please do not hesitate to get in touch ([james.brown@compeer.co.uk](mailto:james.brown@compeer.co.uk)) – we would be delighted to outline the extensive data we have for the UK wealth management industry.*

*To find out more about our partner, moneyinfo, and how they are supporting UK wealth firms please contact:*

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