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Leading out of lockdown: Five key priorities for post-crisis asset and wealth management

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As the road out of lockdown opens, asset and wealth managers are turning their strategic focus to how to compete in the much-changed marketplace emerging from the crisis. The markets might be challenging, but there's more scope for innovation, differentiation and winning new business. If you're an asset and wealth manager, how can you put your organisation in the strongest position to succeed?



Test of resilience

Amid market turmoil and the rapid shift to remote working, asset and wealth management (AWM) has demonstrated its operational resilience. However, some businesses have weathered the storm better than others. In Asia, in particular, AWM firms have been able to sustain near-normal levels of sales and investor engagement while minimising disruption and containing costs because they already had the advanced digital capabilities to serve clients that were also already digitally savvy. Other regions will be able to see the importance of this convergent digital preparedness of firms and their clients.

Test of performance

The other encouraging news is that we haven't seen the wholesale withdrawals from investments that some anticipated as markets went into freefall. But funds have shifted, both from one asset class to another and from poorly performing to better-performing managers.

Much of the growth in assets under management in recent years has been concentrated in passives at one end of the market and alternatives at the other. The COVID-19 crisis has given active managers a chance to demonstrate their value. As mandates come under review, funds will flow to the firms — passive, active and alternative — that have delivered on commitments and expectations and have consistently outperformed competitors.

The road opens

As COVID-19 restrictions ease and the return to work begins, consider what this unfolding 'new normal' will look like, and what it will mean for your business.

The immediate challenge will be in meeting heightened client-service, regulatory and reporting demands, especially if social distancing and limits to face-to-face interaction persist well into next year. It also will be important to help employees through what continues to be a stressful and uncertain time. Firms will have to put the temporary measures they've taken to get through the immediate crisis onto a more sustainable footing.

Longer-term considerations include how to accelerate digital and workforce transformation while redefining purpose to meet the changing expectations of investors, employees and wider society. Further questions you'll have to address are how to align cost structures, operational capabilities and ways of working with growth opportunities and changing investor demands.

Coming through the crisis stronger than before

We believe that a response to these strategic challenges should take the form of five key priorities.

In this brief, we'll outline which actions we believe you should take and which potential benefits you should target. Some of these actions reflect today's unique circumstances. Others should already be part of your growth strategy. COVID-19 has made implementing all of them more urgent.

Five key priorities

-  **01** Zero in on the customer
-  **02** Optimise productivity for the return to work
-  **03** Accelerate digital transformation
-  **04** Prepare your workforce for the new world
-  **05** Ensure that your capabilities match your strategic ambitions



01

Zero in on the customer



The new normal makes customer engagement harder, yet it's more important than ever to sustain relationships and reassure investors.

The crisis has unsettled many high-net-worth clients. Managers with access to advanced digital analysis and omnichannel engagement capabilities have been able to deliver high-touch experiences without the need for face-to-face interaction. The lesson is that personal service doesn't have to be delivered in person.

Institutional investors have put asset managers' performance under intense scrutiny and comparison. The need to sustain returns in economies that could be subdued for some time could provide a boost for both active and alternative managers.

In the retail market, the crisis has highlighted how valuable a seamless and intuitive digital journey is. This involves more than just fast and efficient distribution and administration. Regulators want to ensure that customers understand what they're buying and whether it matches their needs, which can be difficult to do when interaction is strictly digital. Firms will need to step up their capabilities to fulfil this priority.

The crisis is also providing further demand for investing focussed on [environmental, social and governance \(ESG\)](#) factors. Investors are looking at firms' [financial and ESG performance](#), and are not prepared to sacrifice one for the other.



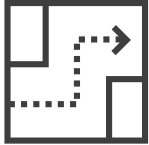
Actions to take

- Model recovery scenarios and assess potential impacts on fund flows, yields and risks.
- Determine how the expectations and behaviours of different investor segments are changing.
- Identify opportunities for fund innovation and differentiation.
- Seek out opportunities to enhance and customise experience.
- Tailor communications to different investor types.

Outcomes to target

- Proactive and agile response to changing investor demands
- Clear differentiation
- Alignment with investors' and other stakeholders' ESG expectations





02

Optimise productivity for the return to work





The COVID-19 lockdown has required your business to rethink how it functions. Now, as the return to work begins, it's important to build on this reassessment to determine which ways of working have stood up to this intense test of efficiency and resilience, which ways of working haven't, and how to do things differently in the future.

Dispersed operations and social distancing could raise costs. This will heighten the pressure to justify which expenditures are genuinely necessary and how much they contribute to differentiating your business.

While sustaining business continuity, it's important to capitalise on the longer-term opportunity the crisis presents to create [a leaner, more agile and more productive operating platform](#), both within your organisation and in collaboration with service providers.

Actions to take

- Strengthen employee support, well-being and communication.
- Avoid reverting to old ways by locking in the adaptability that has been the hallmark of the shift to remote working.
- Measure and track workflows and outputs to identify opportunities to strengthen productivity.
- Focus on good costs that can help you differentiate your organisation. Everything else is fair game for elimination.
- Strengthen agility by simplifying decision making.
- Make sure your sourcing arrangements are the right size for the changing operational demands.
- Harness platform capabilities to extend customer access and pool resources.
- Determine real estate and occupancy needs for your new way of working.

Outcomes to target

- Stronger employee well-being and loyalty
- Ability to move quickly on emerging opportunities
- Improved return on investment and expenditure
- Sustainable cost structures





03

Accelerate digital transformation





Digital transformation has been gathering pace within AWM for some time, but the lockdown has catapulted efforts forwards by several years. AWM firms now recognise digital capabilities as essential in sustaining distribution and customer support. The crisis has also dispelled much of the lingering resistance to remote working.

The priority now is building on these gains. Service providers will be willing to make quite a bit of the major investment to strengthen their digital presence. But this effort involves more than just technology, so service providers shouldn't be expected to lead on their own. Firms need to apply capabilities to their day-to-day operations. A key part of doing so is to use consistent, seamless data sourcing to break down the silos between front, middle and back offices and to create one source of information.

It's also important to innovate and improve upon what you already do. As our [2019 fintech survey](#) highlighted, AWM firms can learn a lot from their counterparts in technology, media and telecoms (TMT). AWM has tended to view digitisation as a way to cut costs and speed up service, but TMT is going further by harnessing digital engagement to connect more closely with customers and personalise experience and service.

Actions to take

- Accelerate investment in leading digital capabilities.
- Creatively partner with service providers and fintech innovators to rapidly deliver and prototype digital capabilities.
- Break down operational and data siloes.
- Modernise your channel mix and cross-channel management.
- Turn change management from a peripheral activity to a core competency.

Outcomes to target

- Organisational agility and operational resilience
- Improved basis for decision making
- Improved customer experience
- More timely and reliable reporting





04

Prepare your workforce for the new world





You can't create a digitally enabled enterprise if your employees are still stuck in analogue. You'll need to speed up your efforts to upskill your workforce.

In addition to providing technical training, you'll have to explain to your employees what's in it for them and ensure there are opportunities for them to apply new skills in their day-to-day work. It's also important to foster a culture of positivity towards innovation and change.

The investing world's growing [focus on ESG](#) is also influencing what skills are in demand. For instance, you'll need people with expertise in sustainable investment, the transition to a low-carbon economy, and engagement with governments and communities. Risk and internal audit teams also need to upskill to ensure that ESG commitments are being met.

Actions to take

- Define the skills you need to run a digital enterprise.
- Ensure that your upskilling programme reflects individual needs, aspirations and job demands.
- Empower your employees to drive innovation.
- Ensure that executives lead by example by embracing digital and ESG priorities.

Outcomes to target

- Improved workforce capabilities
- Optimisation of digital investment
- Enhanced employee engagement and satisfaction
- Culture of innovation





05

Ensure that your capabilities match your strategic ambitions





The COVID-19 crisis has heightened the need for clarity about where and how you compete. This means that you'll have to decide whether to be a scale or niche player — the 'squeezed middle' could be exceptionally vulnerable at a time when returns are difficult to sustain.

You'll also have to consider whether it's best to build, buy or borrow the capabilities you need. Building capabilities can be difficult when you're trying to move quickly. Buying has tended to be costly, though market movements could bring more targets into the affordable range. Borrowing through partnership and collaboration could help you strengthen capabilities and meet changing investor demands without imposing prohibitive extra costs.

The crisis has also put into sharper focus the question of what you're in business to do. Investors aren't the only ones making ESG demands. Many governments want to use the crisis as a catalyst to strengthen social inclusion and make the economy more sustainable. ESG considerations go to the heart of your mission and how you measure success as an organisation.

Actions to take

- Clarify whether you want to be a scale or niche player.
- Determine which capabilities you need in order to compete and which are now superfluous.
- Refresh your acquisition criteria for the post-COVID-19 world.
- Identify fresh opportunities for collaboration, both in sourcing services and in offering your own.
- Manage your investor and regulatory narrative.
- Think about how to align your mission with changing stakeholder expectations on ESG.
- Build this redefined mission into your culture, objectives, governance and day-to-day work.

Outcomes to target

- Readiness to compete
- Stronger investor loyalty and trust
- Closer engagement with governments and regulators
- Renewed sense of purpose within your workforce
- More positive image for the industry



Reinvention and differentiation

The COVID-19 crisis is reshaping investor demands. It's also providing a catalyst for creating a more capable, efficient and client-attuned enterprise. Those already equipped with digital capabilities can build on the skills that have proven valuable at the height of the crisis. Others need to make up ground fast. We believe that our five key priorities offer a valuable starting point for meeting evolving expectations and making the most of unfolding opportunities.



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