



## WHAT PRIVATE BANKS NEED TO DO TO DRIVE THE FUTURE OF WEALTH MANAGEMENT

COLLABORATIVE BANK AND FINTECH PARTNERSHIPS TO SUPPORT  
MUTUAL GROWTH

By IMD Professor Denise Kenyon-Rouvinez, with Enrica Sighinolfi

**IMD**  
Chemin de Bellerive 23  
PO Box 915,  
CH-1001 Lausanne  
Switzerland

Tel: +41 21 618 01 11  
Fax: +41 21 618 07 07  
info@imd.org  
www.imd.org

The Fourth Industrial Revolution – featuring Artificial Intelligence, Big Data, the Internet of Things and so on – presents many challenges to private banks when it comes to Wealth Management. They will need to adapt well if they wish to preserve their leading position serving High Net Worth Individuals (HNWIs) and Ultra High Net Worth Individuals (UHNWIs).

Technological change will force banks to restructure their workforce at all levels, from branch employees to traders, and to invest more in security. But technology is not the only feature that is rapidly evolving; the market is, too. Customers' behavior, knowledge, and preferences are changing at a comparable rate and demand a new approach, requiring financial institutions to **rethink the relationships** and interactions they have with their clients.

HNWIs, the next generation – GenY in particular – are much more knowledgeable about investment opportunities than in the past, and want to be more involved and informed of how returns are generated. In recent years of low interest rates and high volatility, investors have been less interested in portfolio investments and keener on direct investments in real companies. These changes require banks to build a deeper **relationship** with their customers to understand their concerns and motivations, as well as review their **origination processes**; the means by which potential investors are vetted. In ten years' time, or maybe less, HNWIs will rely on artificial intelligence (AI) to obtain optimized returns from financial markets, but when it comes to direct investment in one company or another, only the friendly voice of a trusted advisor will influence their decisions.

For private banks, high-level relationships with their HNWI clients will help them respond to new competitors. Potential entrants to the market such as [Amazon](#), [Google](#) and [Facebook](#) have not yet operated in the financial industry, but they hold e-money licenses. We all know that these conglomerates hold a considerable amount of data regarding everyone's habits and preferences, and that they could use Big Data to enter the financial services – just as they have done in other industries. Smaller technologically advanced entrants have featured in many economies in an emerging sector known as FinTech. Some compete with traditional financial institutions to sell financial services directly to customers, others partner with them to help offer a brand new palette of services.

These companies, large and small, also have the means to build technology and security systems perfectly suited to the financial services industry. What they do not possess is the **strength of a long-term relationship** that private banks have developed over the years with their HNWI clients.

Everyone does searches on Google, uses Facebook, or buys goods on Amazon, including HNWIs; but it is a deeper, more intimate and trusted relationship that HNWIs have with their private banks. There is an element of quality and exclusivity to these relationships that the tech giants, given their mainstream nature, will never have. It is very similar to the fashion industry: HNWIs might buy a t-shirt at Zara or Mango, but when it comes to exquisite and durable goods, such as leather goods, watches, or jewelry, they remain loyal to the traditional luxury brands like Hermes, Prada, or Cartier.

**FinTech can play a fundamental role in preserving private banks' supremacy in the financial services industry.** The rapid evolution of financial services technology, and the potential for disruptive entrants into the market, should spur banks to develop their own technology. There is also the scope for imaginative new approaches, in which **FinTech may serve to strengthen private banks' relationships with their clients.** The core of the banks' competitive advantage, and of vital importance for their long-term presence at the helm of the financial services industry, is the quality and depth of relationships with their clients.

Partnering with FinTech companies, with a focus on collaboration and client relationships, and harnessing the respective strengths of each partner, could be the smartest way to gain leadership in the Fourth Industrial Revolution.

*Denise Kenyon-Rouvinez is the Wild Group Professor of Family Business and Family Wealth, as well as the Director of the Global Family Business Center at IMD.*

*Enrica Sighinolfi is a founding member of Opportunity Network a business-matchmaking platform that enables clients of the world's most prestigious banks to connect to business opportunities. It currently includes around 14,000 CEOs and HNWIs from 128 countries and has hosted a total deal flow of over \$35B.*

*The next upcoming family business programs at IMD in Lausanne are:*

- "Challenging & shaping your family business strategy in a turbulent world" May 18-19, 2017;
- "[Leading the Family Office](#)" May 22-24, 2017;
- "[Leading the Family Business](#)" June 26-30, 2017;
- "[The Next Generation Program](#)" September 5-15, 2017.