



MARKET INSIGHT

JUNE 2021

An aerial photograph of a tropical beach. The water is a vibrant turquoise color, transitioning to a lighter, sandy hue as it meets the white sand beach. The beach is wide and curves along the coastline. In the background, there are dark green hills under a bright blue sky with scattered white clouds. A large, semi-transparent white circle is overlaid on the bottom right corner of the image.

SUCCESS. TOGETHER.



FRÉDÉRIC LE HELLARD
CHIEF INFORMATION OFFICER
REYL GROUP

“The banking sector has always operated at the cutting edge of technological advances.”

DIGITISING WEALTH MANAGEMENT

BANKS AND TECHNOLOGY

The banking sector has always operated at the cutting edge of technological advances. While technology initially took flight in the fields of science, aerospace and the military, the major tech players were quick to find markets for their massive mainframes in the banking sector. The advent of SWIFT interbank exchange networks in the 1980s made rapid, electronic transactions possible, whilst the trading and discount brokerage sites made their spectacular debut in the late 1990s, after which all retail banks developed their websites. These technological evolutions shaped the banking sector and the services provided to clients. No retail bank today could survive without a serious online offering.

In the space of a few decades, through continuous and significant investment, basic banking functions such as account holding, payments and securities transactions have been digitalised, automated and accelerated, substantially reducing workforce needs in back offices and support functions.

The widespread use of, and investment in, digital technology, combined with the restrictive regulatory environment, largely explains why the banking world has not been heavily disrupted by the arrival of new tech players. Retail banks may yet be subject to strong pressure from fintechs in terms of the performance of the services provided (instant transactions, pressure on transaction fees) and their user-friendliness (intuitive interfaces, fully digitalised onboarding), but not to the extent of fundamentally changing the landscape of the industry.

WEALTH MANAGEMENT IS A BUSINESS WITH A HUMAN FACE

This is especially true for finance businesses requiring interaction and significant trust between advisors and

their clients, notably at crucial moments in the lives of companies and private individuals, such as negotiating new credit lines or capital investment. Advice and trust in the banker are vital to these commitments. This issue is particularly relevant in wealth management and advisory, which remains a people-focused business. In addition to the services and solidity of the brand promoted by a bank, the rapport with the relationship manager remains essential to a lasting and fruitful relationship. This human interaction naturally has a cost, the operational efficiency (cost/income ratio) of private banks struggling to rival that of retail banks.

COVID-19 CRISIS VS. DIGITAL STRATEGY

The digital strategies of most banks have long been established and target precise objectives both in terms of their online offering (apps, website, social media) and their internal transformation, such as the automation of processes and the use of data. These strategic digital transformation focuses have emerged stronger from the COVID crisis. But it has also revealed to organisations and their employees that working methods can evolve swiftly into more seamless, rapid and fully digital interactions and processes. In response to the widespread implementation of telework, banks were required to reinvent processes and interactions with extreme agility, digitalising them wherever possible. The seamlessness and acceleration of certain processes quickly became a given, made possible by the use of collaborative technologies.

Bank customers themselves have encountered this transformation in usages in their private and professional lives. The reduction of distance and time, together with new ways of working, have, after the lengthy lockdown period, become an expected standard of service.

New technologies need to be taken onboard to simplify, accelerate and enhance interaction between relationship managers and clients. But technology alone will not remove it. Wealth management will remain a people business, and the roll-out of technologies must support rather than replace this interaction. New technologies will continue to emerge, such as blockchain and artificial intelligence, but I believe it is essential to strengthen the culture and use of collaborative technologies by customer relationship managers and bank employees to improve direct interaction with clients.



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