

# CAPCO

**IT'S 2020!**

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WHY DO WEALTH FIRMS CONTINUE TO  
STRUGGLE WITH CLIENT ONBOARDING?



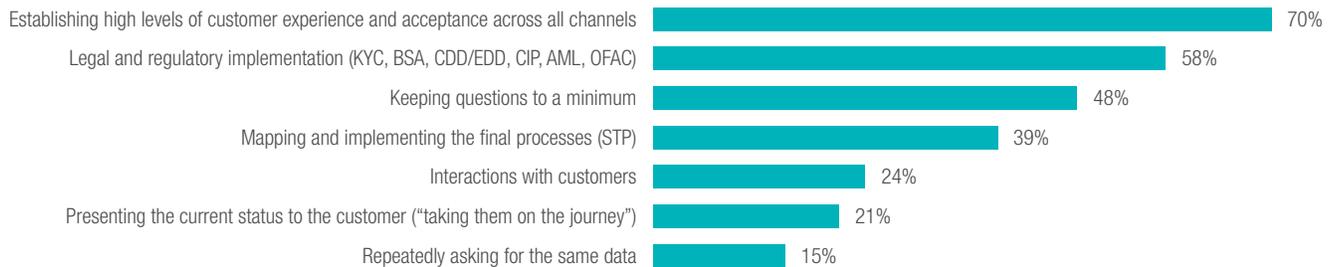
# INTRODUCTION

For those of us actively involved in the wealth management industry, the title of this article should speak for itself. Yes, we are in the year 2020, and wealth managers continue to struggle mightily with onboarding new clients onto their platforms. The challenge spans beyond just client onboarding – it reaches into account opening, funding and across the end-to-end client life cycle.

Many in the industry identify client onboarding as one of the defining moments of the new relationship. Some call these

key stages ‘moments that matter’ or ‘moments of truth’ for the client. This terminology denotes a vital aspect of the relationship where the wealth manager can either build trust or lose credibility, sometimes for good. The lasting impression that the client onboarding experience can leave on a client cannot be overstated. As such, this notion brings me back to question why – in this age of technological advancement and innovation – can firms still drop the ball on their client onboarding experience.

## PRIMARY CHALLENGES WITH CLIENT ONBOARDING PLATFORMS



Client onboarding has been a constant challenge for financial institutions for the better part of the past two decades. As demonstrated in the analysis above, the biggest challenge that wealth managers face today is ensuring a positive client experience and high acceptance across all interaction channels. This has been difficult to execute in the past due to a lack of integration and bifurcated processes. As technology has evolved, new opportunities have emerged to make the end-to-end process more streamlined and optimized. With workflow automation, data analytics, and self-serve capabilities, it's easier today to create an onboarding experience that resonates well with customers. This means

not having to re-enter information that's already on file or having to undergo a separate and different process for KYC screening and account acceptance. It should all be connected and, most importantly, customer-centric.

Firms that fail to take advantage of these new trends run the risk of losing out on new revenue. Today's clients are more willing to take their business elsewhere if their current firm does not fulfill their requirements for flexible services and personalized advice. Similar to a job interview, the first impression is decisive.

# REASONS THAT CLIENT ONBOARDING FAILS

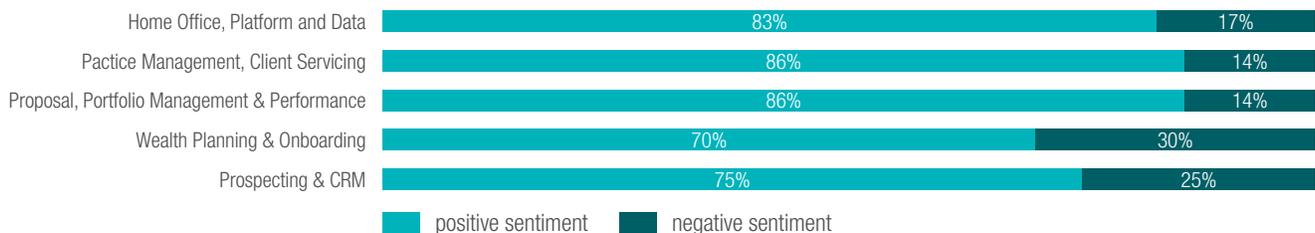
There are countless reasons why most client onboarding functions may yield a negative experience for clients. We identified and called out the four most notable reasons.

1. Firms often turn the process over to administrative or clerical professionals that don't sit within the front office, which yields a reduction in client attentiveness and a decrease in overall experience and satisfaction. The experience feels more generic and not tailored to meet their individual expectations
2. Legacy platforms can be cumbersome and require bifurcated processing, or cannot offer digital client onboarding solutions through multiple interaction channels such as mobile, tablets, etc. In a time where clients do virtually everything on their mobile phone

and want 24/7 access to information, why should their wealth management experience be any different

3. Clients are required to repetitively key-in the same information across multiple forms and screens and are required to search for the right account opening documentation to be completed
4. Manual, human-led processes, including the client (i.e., data collection and completion, physical signature), lead to longer processing times, increased NIGO rates, and poor client experience as FAs are required to reach out multiple times. The result is a delay in funding of accounts, which consequently defers the generation of revenue. In many instances, the client never funds the account

# POSITIVE AND NEGATIVE SENTIMENT ACROSS THE WEALTH VALUE CHAIN



Capco conducted a sentiment survey across wealth management focused on users of leading custodian workstations and financial advisor platforms. The objective of the study was to understand the user experience of advisors, home office representatives, and end clients and capture their sentiment towards the various platform capabilities they use. According to our survey, Wealth Planning & Client Onboarding received the highest negative sentiment score when compared to other aspects of the wealth management value chain.

Additional analysis within the industry has further driven home this point. According to a report by CEB, 32 percent of wealth management executives believe that improving client onboarding from the front to the back office is a crucial area of focus<sup>1</sup>. Additionally, 70 percent of wealth management clients surveyed by CEB indicated frustration with the account onboarding process, citing that their wealth management provider had sent them paperwork to physically sign before the account was opened.

1. <https://wmtoday.com/2018/11/25/the-secret-sauce-in-the-top-6-client-onboarding-vendors/>

# KEY CONSIDERATIONS WHEN DEFINING YOUR CLIENT ONBOARDING SOLUTION

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A superior client onboarding platform is more than a BPM workflow tool. It will provide a holistic, intuitive experience for clients by enabling seamless integrations across various business applications, operations,

and compliance. Whether you are looking to build your platform in-house or partnering with a vendor, firms should ensure that the following considerations are addressed.



## Client Experience

- Designing an intuitive, omni-channel solution that adheres to the broader client experience strategy, including both web-based and mobile capabilities
- Building seamless integration into the client portal to promote a consistent look and feel
- Self-directed and FA-led capabilities to cater to various client personas and the ability for clients and field staff to collaborate through the platform and throughout the process
- Leveraging a user-centric design grounded in deep behavioral analysis to achieve usability and efficiency goals. By infusing user-centered design with traditional process re-engineering accelerates and improves change and adoption



## Operational Efficiency

- Orchestrating the onboarding process across the organization to create an end-to-end, seamless workflow
- Rules based workflow routing to reduce manual activities, paperwork and compliance checks and to promote control and visibility throughout the onboarding process
- Blending guided/process-driven and unstructured/case management interaction patterns
- Once matured, leveraging robotics and process automation to intelligently restructure functions to optimize throughput and efficiencies



## Third-Party Integration

- Establishing API based integrations into third-party vendor platforms to share data in real-time rather than waiting for nightly batch cycles, thus making data available immediately
- Integrations across client portal, CRM, FA workstation, financial planning, compliance tools, e-Signature vendors, ACAT/money movement API, document vault/repository, new account form template library, custodial and clearing providers



## Data and Document

- Providing a client-centric, 360 degree view of their relationship, household, accounts, etc. to bring all information in to one place for clients to access
- Utilizing data analytics to enrich the client experience by providing personalized communications and follow ups as well as monitoring client behavior
- Facilitating data gathering and aggregating data from multiple systems, including leveraging OCR to 'scrape' data from documentation
- Pre-populating forms and interfaces with existing client profile information to eliminate the need for redundant re-keying of data
- Dynamically generating forms and documents based on account registration types at time of submission
- Making e-signature capabilities for client signature across all documentation standard



## Compliance

- System configurations based on policies and procedures for advisory, brokerage and self-serve account setups
- Supporting both individual and corporate/legal entities as clients
- Compliance readiness including automatic legal and compliance checks (AML, KYC, BSA)
- Customer screening, profiling, and risk rating capabilities
- Integration to World-Check and Lexus Nexis for ID verification and PEP screening
- Integration with RTQ and suitability guidelines and questions

# BENEFITS OF OPTIMIZING THE CLIENT ONBOARDING EXPERIENCE

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As we have established, the client onboarding experience has an immediate and discernible impact on the client. By automating and streamlining the wealth onboarding process and providing intuitive tools and capabilities to maximize the experience, firms have yielded significant business and financial benefits<sup>2,3</sup>.

- **Reduction in onboarding time by as much as 90 percent** – Based on the Forrester study, client onboarding times can be dramatically reduced from 45 days down to less than one week
- **Increase in margin per client by 10 percent** – Accelerated onboarding time results in faster funding rates and a faster time to margin, which in turn yields a higher margin per client
- **Incremental customer acquisition of 5 percent** – With faster onboarding times, reduced NIGO rates and improved client

experience, wealth managers lose fewer accounts during the prospect to client period. That could mean millions of dollars in assets lost because of a poor initial experience. Additionally, FA time is freed up to focus on acquiring new clients

- **Automation improves operational efficiency** – By providing a platform that takes a lot of the manual, hands-on work out of the process and limits the back-and-forth with the client – firms are able to streamline operations, which typically results in two fewer FTEs, on average, by booking center across Compliance and back-office functions
- **Increased revenue growth driven by improved client experience** – Clients are more open to bringing in more assets, cross-selling opportunities, and providing referrals if they have a positive client experience as part of the onboarding process

## EFFECT OF COVID-19

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There is no doubt that the COVID-19 pandemic has had a profound impact on the financial services industry. Wealth managers and clients alike are adapting to a new reality of how they engage, leading with remote capabilities. COVID-19 has only exacerbated the challenge that wealth managers face when it comes to client onboarding. According to Gavin Little-Gill, Head of Channels and Partnership Management at

Appway, “clients tell us COVID-19 and the extended work from home realities has accelerated their digital journeys by two to five years. At the same time, those clients are scrambling to maintain operational integrity. In practice, what that means is clients are expanding their use of existing digital technology rapidly while they are re-prioritizing strategic digital initiatives for the coming fiscal year.”

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2. Forrester Total Economic Impact Study Commissioned by Appway, June 2020

3. Benefits will vary by wealth manager depending on several factors

# CONCLUSION

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Wealth managers should consider client onboarding an essential part of the sales function and a way to drive more profound and tailored client relationships. An impressive first encounter will yield benefits from clients who would be more likely to provide referrals based on their positive initial client experience. With increasing client servicing expectations, growing competition, ever-changing regulatory scrutiny,

operational overhead, and compression of profit margins, wealth managers need to consider client onboarding a major focal point for optimizing their business and client experience. Having a streamlined and modernized offering serves as a market differentiator for wealth managers helping yield greater business and financial success over the end-to-end client lifecycle.

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## ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

To learn more, visit our web site at [www.capco.com](http://www.capco.com), or follow us on Twitter, Facebook, YouTube, LinkedIn and Instagram.

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