

Part two of a three-part  
series focusing on  
the changing landscape  
in wealth management

# Finding the Right Ecosystem



The rise of companies utilizing financial technology (fintech) over the past five years can no longer be ignored by traditional wealth managers and established financial services firms. Capitalizing on digitalization, big data, social media, mobility, and frictionless processes, fintechs might be able to do what many long-standing firms are working towards, such as:

- Take a customer-centric design approach to the user experience and address aspects of the advisor and client experience that haven't typically been prioritized by traditional incumbents
- Challenge the current cost models, especially as they relate to more expensive cost models, like full-service financial advice
- Partner creatively with other players, including startups, other fintechs and legacy firms

In addition, fintechs are picking off profitable parts of the value chain and delivering them standalone or in different and unique ways.

The risk that fintechs pose in terms of eroding the market share of legacy firms is real, and because of this management teams are expending meaningful time and resources just to stay on top of emerging forms of innovation. More and more, boards of directors are demanding that their executives have a comprehensive understanding of the fintech landscape and how these companies could disrupt their business model—and to do this without losing sight of their core competencies.



To tackle this challenge, we recommend:

1. Zeroing in on a large and robust ecosystem that is still flexible and can encompass the majority of use cases
2. Prioritizing the capabilities your firm will require in order to compete in the 21st century, understanding how those capabilities can be incorporated into your existing business and whether you need to buy or build those capabilities
3. Finding the right partner who can help you figure out where to begin
4. Considering platforms that incorporate fintech technologies that support high touch relationship management – everything from precision advice (the right advice at the right time) to automated approaches to portfolio management

## Taking a Collaborative Ecosystem Approach

Keeping up with the pace of innovation in wealth management might seem like an overwhelming challenge. For that reason, it is important to identify and/or build an ecosystem around your firm that has agility, integration, and innovation in its DNA. This ecosystem should bring together an interconnected community of fintech innovators, entrepreneurs, technical experts, venture capitalists, and users, as well as the strategic advisors and technology platforms that support this community. A collaborative ecosystem will allow you to provide a client-centric and advisor-centric experience.

Such an ecosystem emphasizes collaboration and takes a collective approach in tackling even the toughest use cases. Ideally, it can answer questions such as:

- What capabilities and technologies are advisors and customers responding to the most?

- How can we automate some of the work for advisors and clients and have this be both proactive and personalized?
- What type of autonomous fintech technology can be brought into the ecosystem to help firms keep up with the rapid pace of change taking place not only in the financial services industry, but more broadly?
- How can we make innovation as seamless and natural as possible?

The ideal ecosystem offers wealth management firms a curated view of the capabilities that matter to their value chain:

- It offers a fintech vendor landscape focused on financial advice, relationship management, and modernizing processes and the system of engagement.
- It knows which vendors are important to financial advisors and their teams.
- It is proactive in positioning and recruiting the right vendors within the ecosystem.
- It is able to uncover, surface, and leverage patterns and efficiencies of other users in the ecosystem and make recommendations on how to incorporate those efficiencies at your firm.
- It moves quickly and is agile in keeping up with technology innovations.

## The Role of the Strategic Partner

One challenge is finding a strategic partner who can provide your firm with access to an ecosystem that incorporates a universe of complementary capabilities plus a recommended approach for adopting these capabilities.

The following criteria could apply in finding/selecting such a strategic partner. They should have a successfully demonstrated process in place for:

- Vetting the most important emerging fintechs
- Working with startups to refine their technologies and business models
- Accelerating the evolution and change of a technology platform itself
- Creating application programming interfaces (APIs) and use cases that make it easier to integrate and leverage innovative functionality
- Implementing elegant solutions that are scalable - regardless of whether the solution is for one user only or one million users
- Understanding the impact of social, mobile, analytics and cloud in any new initiative

Finding the right strategic partner who can stay abreast of the fintech ecosystem is critical in gaining the insight required to navigate the disruption. This partner should not only bring the required expertise to the relationship, but also have a curated view of the many offerings available and how they compare to each other. They could also recommend a platform approach on adopting new technology. The goal is to alleviate any complexity that can lead to high implementation costs and to iterate faster and accelerate time to market for innovation.

Moreover, even for those management teams that are able to wrap their brains around what is happening in the fintech space, without a strategic partner/advisor they may not have the capability to build a strong, supple, agile ecosystem/platform that supports the capabilities of today and sets a foundation for the needs of tomorrow. In short, you need a partner whose job it is to be innovating and adding to the ecosystem while creating a specific roadmap for your firm.

## Facing an Era of Disruption

Innovation, collaboration, and embracing an ecosystem approach are things that do not come naturally to most traditional wealth management firms. While many of them may try to talk the talk, only a few of them are able to walk the walk. This is why it is important to find the right partner and technology platform to help you navigate the changes that wealth management firms are facing in this era of disruption. ■

## Special thanks to our contributors:



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