

# UK Wealth Management – Life after lockdown:

## What Happens Next?

**Publication Date: 14 May 2020**

With lockdowns around the world continuing, it is only natural for the wealth management industry to contemplate what life will look like afterwards. The experience in Asia, where Hong Kong and Singapore have both been hit by second waves of COVID-19 infections, tells us that a linear recovery is unlikely. Firms are right to prepare themselves for a protracted and phased approach.

Until now, business leaders have been grappling with stabilising the business – including transitioning to working from home, supporting client requests and preparing advisors for a significant period of volatility. However, almost daily we are hearing the phrase “the new normal”, signalling that we will emerge into a forever-changed environment.

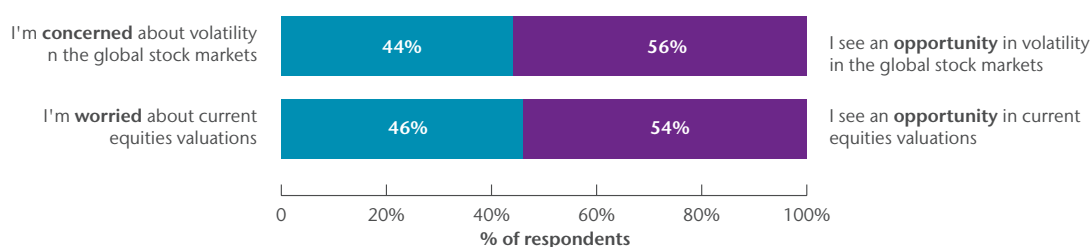
Our own data leads us to agree that the old ways of operating will be left in the past. This will be driven either by commercial necessity, prolonged social distancing or a combination of both.

On the commercial side of the equation, analysis undertaken by Aon using a proxy group of leading UK wealth firms (not including private banks) to calculate how growth has been affected found that between 2007 and 2019, average pre-tax reported profit margins declined by nearly 40%, from 22% to 13%. With margin pressure expected to continue in the current climate, it will make it vital to embrace new technology as an integral part of the client experience to better support productivity.

### Right now, clients aren't panicking but may feel overloaded with information

Data collected before the crisis provides a snapshot of client sentiment. In the UK, for example, wealthy individuals were concerned about the prospects of volatility in the global stock markets and equity valuations. However, 56% of clients agreed there would be opportunities from volatility in financial markets, which has indeed returned with a vengeance [Figure 1]. Anecdotal evidence from wealth managers underlines that some clients are seeing opportunities and are not panicking but are topping up mandates, moving out of cash and bonds into equities.

**Figure 1: 56% of UHNW clients said they saw an opportunity in stock market volatility in Q4 2019**



Source: BNP Paribas Global Entrepreneur Report 2020 - UK data (N=63)



**Caroline Burkart**  
Associate Partner  
Client Insight, Aon



**Tasha Vashisht**  
Head of Thought  
Leadership  
Development, Client  
Insight, Aon

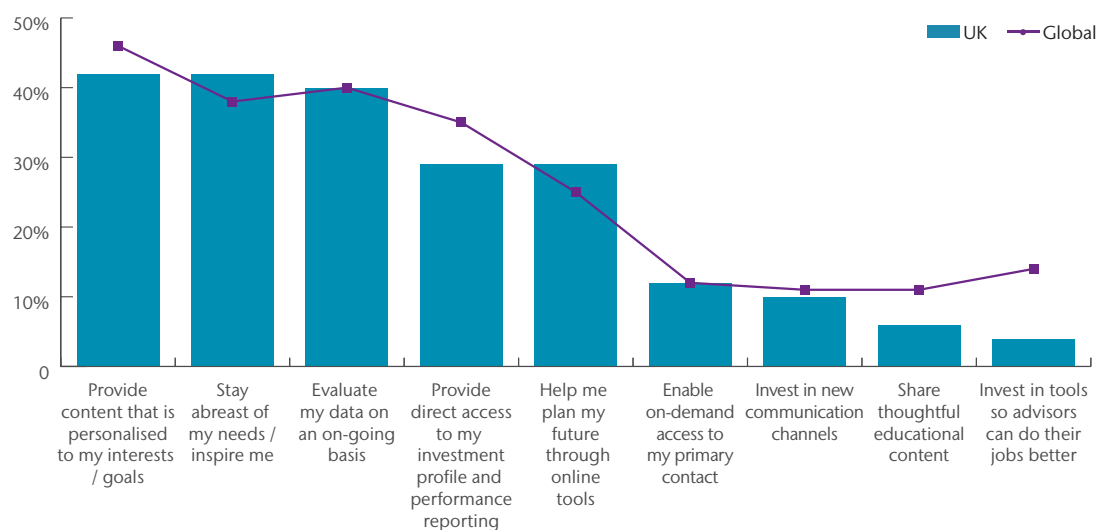
Of course, the volume and frequency of information on market movements risks overloading clients. Happily, many are turning to their wealth managers for guidance on how to optimise their investment portfolios and seize the opportunity, eagerly digesting the commentary and insights being published.

Yet some will be let down by the experience of trying to decipher these insights. Our client survey data consistently shows that investors struggle to ascertain the key points from the communications they receive from wealth managers or what actions they should take. Often, from the client's perspective, such reports feel like they have been written for a professional investor and they cannot make the link to their own portfolios.

## After lockdown, digital shortcomings will be magnified – and less excusable

The ways that firms can prove they are truly client-centric are evolving from nice gestures that clients might enjoy but offer no long-term value (e.g. events and hospitality) to providing them with insight and ideas which are aligned to their interests and help them to meet their goals, as shown in the chart below.

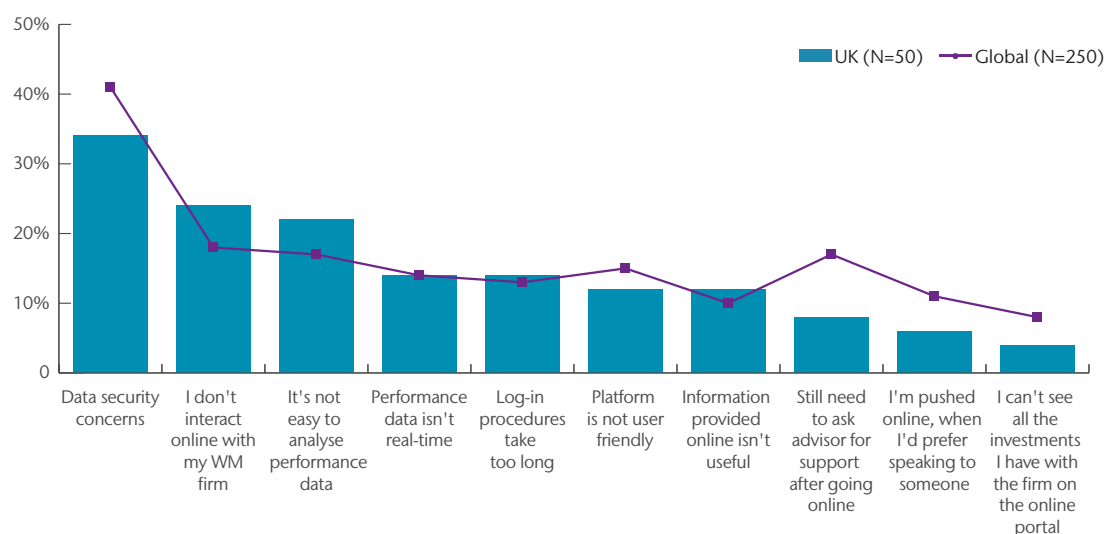
**Figure 2 Proof-points of client-centricity in the digital age Q4 2019**



Source: Aon and Appway, Innovate to Succeed, 2019

But digital tools and data management have been seen [Figure 3] as industry weak-points. The online tools provided to clients are often perceived as neither innovative nor user-friendly. Going into the crisis, 22% of clients reported problems with analysing performance data online, 14% with the log-in procedures and 34% were concerned with data security.

**Figure 3 Concerns in relation to online interactions Q4 2019**



Source: Aon and Appway, Innovate to Succeed, 2019

During the lockdown, clients and managers alike have been forced to take a crash-course in their firm's online capabilities. A poor experience will be a very serious point of contention if it prevents clients from engaging with their portfolio data or planning for their futures when they need to most.

Many firms have had to make the leap into a digital communication model but may find that client demands don't stop there. It seems likely that investors will want access to more tools and to complete more activities independently, rather than waiting for the return to face-to-face meetings.

## The digital divide

We will all crave human contact once the restrictions are eased; yet firms will have to weigh up carefully how to keep the best of the old, along with the new, to improve productivity.

Simply put, in the old model a banker doing five in-person meetings a day might have looked productive. In the new environment, with profitability coming under pressure, 'high-touch' can look a lot like 'labour intensive'.

Wealth managers must find new and more cost-effective models of serving clients with non-complex needs while identifying those willing to pay more for the white-glove service. Pricing, segmentation and proposition will all need to be carefully assessed in light of the productivity challenge. Marketing should have an enhanced role in delivering the human touch digitally, as empathetic communications will be needed to stay close to clients and grow.

Old arguments about digital and data frequently revealed cultural tensions within organisations. Now, the choice is simple: there will likely be a digital divide. Which side will your business be on?

## For more information

### Caroline Burkart

caroline.burkart@aon.com

### Tasha Vashisht

tasha.vashisht@aon.com

### Aon's Client Insight Solutions

Our Client Insight team specializes in understanding ultra/high net worth individuals and the financial institutions with which they interact. Using quantitative and qualitative research methodologies, our solutions cover Client Experience, Brand Tracking, Thought Leadership, and Strategic Advisory and Research, all designed to help drive business growth and performance.

Together with our colleagues across Aon's Human Capital Solutions Wealth Management practice, we use our market data and analytics to optimize the relationship between delivering value to your clients, employee rewards, and shareholder returns. Learn more at [aon.com/performance-solutions/Client-Insight](https://aon.com/performance-solutions/Client-Insight)

**Date of publication: 14 May 2020**

This document has been provided as an informational resource for Aon clients and business partners. It is intended to provide general guidance on potential exposures, and is not intended to provide medical advice or address medical concerns or specific risk circumstances. Due to the dynamic nature of infectious diseases, Aon cannot be held liable for the guidance provided. We strongly encourage visitors to seek additional safety, medical and epidemiologic information from credible sources such as the Centers for Disease Control and Prevention and World Health Organization. As regards insurance coverage questions, whether coverage applies or a policy will respond to any risk or circumstance is subject to the specific terms and conditions of the insurance policies and contracts at issue and underwriter determinations.

### About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

For further information on our capabilities and to learn how we empower results for clients, please visit <http://aon.mediaroom.com>.

© Aon plc 2020. All rights reserved.

The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

