

Julius Bär

# THE INTERMEDIARY'S ADVANTAGE IN THE NEXT DIGITAL ERA

Why advisors who adapt will stand out in a  
post-pandemic new normal



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# WELCOME TO THE NEW NORMAL

The private banking industry faces a whole new paradigm in its drive to embed the latest technologies. Deployed well, these technologies can lift the individual client's experience to a whole new level, fostering even greater trust and bond. But there is also the danger of a widespread undifferentiated automation weakening the client relationships.

For intermediaries, the increasing automation of large banks spells opportunities. Intermediaries have strong personal relationships with clients: in many cases bonds that have become stronger during the uncertainty of the past 18 months.

In a more robotised world, wealthy individuals will inevitably value personal relationships with small, entrepreneurial firms of advisors they respect and have faith in more than ever.

But to make use of their advantage, intermediaries must adapt. They must cater to an increasingly complex set of client needs, comply with growing regulation and adjust to a post-Covid-19 era. Adapting will mean that they, too, must paradoxically embrace technology – but in ways that complement their expertise.

This Julius Baer White Paper presents our view of why we think intermediaries have a chance to seize the advantage. It also describes the challenges that they face and how we believe they should tackle them.

Our hallmark Business Navigator advisory framework for intermediaries can help at a time like this, providing insights into both the bigger picture and practical solutions.

As the world of wealth management changes fast, we at Julius Baer are working to be at the forefront of that change. Our intermediary partners have an advantage in this new world if they act decisively to adapt.



**Nic Dreckmann**  
COO & Head Intermediaries  
Member of the Executive Board

A handwritten signature in dark ink, appearing to read 'N. Dreckmann', written in a fluid, cursive style.



## KEY MESSAGES

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### TRUSTED ADVICE TO BE MORE VALUED THAN EVER.

In a financial world that will be increasingly automated, the wealth management intermediary's defining characteristic – personal, trusted, and expert advice – will be more valued than ever. Those intermediaries who adapt to the new environment shrewdly have an opportunity to stand out.

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### NEXT-GENERATION INVESTMENT.

In the lower-interest-rate world resulting from unprecedented macroeconomic policies, old 60/40 equity/bond models no longer apply. There's a need for greater knowledge of private markets, international investments generally, and emerging investments in the areas of sustainable investing and virtual assets.

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### HIGHLY DYNAMIC ENVIRONMENT.

The pace of change unleashed by the pandemic will continue. That means more automation, the rise of platform businesses, the likelihood of greater regulation; but also an intensified search for inclusion, healthy living, sustainability, and stability.

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### PURPOSE BASED ON VALUES.

The pandemic has heightened sensitivity about inclusion, well-being and values. Intermediary firms have an opportunity to build their purpose on the influence they have on clients and partners.

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### UNDERSTANDING COMPLEX CLIENT NEEDS IS KEY.

Client needs are becoming more complex, not only as understanding of the global macroeconomic picture becomes more important but also as the range of investment products proliferates. Intermediaries must master this diverse world, offering personal service supported by automation. Understanding clients' complex needs is the first step towards innovation.

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### A CROSSROADS FOR INTERMEDIARIES.

The next few years are likely to be a defining time for intermediaries. By 2025, we expect the sector to have evolved, with a group of elite intermediaries differentiating themselves through the excellence of their personal service, supported by technology to foster efficiency where needed.

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### THE SMALL PLAYER'S ADVANTAGE.

As small, entrepreneurial organisations, intermediaries have a natural advantage. They can be innovative and change their organisations in intelligent ways far more quickly than larger organisations.





# FOUR THEMES FOR A POST-PANDEMIC WORLD

# FOUR THEMES FOR A POST-PANDEMIC WORLD

The Covid-19 crisis has radically changed our private and professional lives across many dimensions. However, most of its changes are not entirely new: in fact, the pandemic has accelerated existing trends in ways that will have wide-ranging effects on intermediaries.



This section was contributed by Dr. Stephan Siegrist, Founder and Head of W.I.R.E., the Zurich-based think tank.

Notably, digital transformation has received a huge boost in ways that will affect the broad business environment, as well as daily practicalities in terms of making processes automated and personal interactions mostly virtual. At the same time, the strain of the pandemic has heightened our awareness of the quality of life, as well as our environmental responsibility.

Beyond Covid-19, there are further powerful trends that will have consequences for the intermediaries' world.

Below are the four macrothemes that we have identified, as well as their implications for intermediaries:

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## 1. FURTHER OUTSOURCING OF REPETITIVE PROCESSES AND THE RISE OF PLATFORMS

Strong digital infrastructures backed by AI-enhanced computing power will lead to an outsourcing of most repetitive processes in the intermediaries' value chain. The availability of large amounts of customer data and platforms with open APIs will offer access to a greater variety of solutions, and hence new opportunities to personalise products and services, for example by selecting investment portfolios based on individual customer preferences. Despite the increasing





potential of automated systems, complex issues will still rely on human judgement and advice. In an increasingly technology- and platform-driven market environment, the human touch will be a key differentiating factor improving trust and loyalty.

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## 2. VIRTUAL EXCHANGE AND VIRTUAL ASSETS AS PART OF THE NEW NORMAL

The virtualisation of financial services will continue to develop rapidly across two dimensions. First, remote work and virtual exchanges with customers are part of the new normal for intermediaries. However, with less personal interaction, there is a risk of loss of trust and falling staff loyalty. Second, cryptocurrencies and tokenisation are creating new investment opportunities and asset classes with a broader investment universe.

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## 3. RETURN OF THE STRONG STATE AND REGULATION AS A DRIVER OF INNOVATION

Far-reaching national measures such as lockdowns indicate that the state has emerged stronger from the Covid-19 pandemic, which could lead to further regulation of tax and financial systems. At the same time, the regulator must develop a forward-looking perspective to ensure a stable market environment

in a fast-changing world, so paving the way for digital business models and assets.

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## 4. HEIGHTENED SENSITIVITY ABOUT INCLUSION AND SUSTAINABILITY UNDERPINS PURPOSE-DRIVEN BANKING

With greater awareness of climate change, the demand from clients for sustainable investments is growing. At the same time, changing values require that employers take a more active role in dealing with diversity and social inclusion. Finally, the shift to digital business models necessitates clear ethical values in order to manage the risks of privacy loss or algorithmic discrimination.

In summary, the pandemic has triggered a time of rapid change. All businesses must adapt and build resilience, focusing in parallel on digital capability and strengthening client relationships. Having a long-term perspective and making smart decisions, with agility, are key.



# CHALLENGES FOR INTERMEDIARIES



# CHALLENGES FOR INTERMEDIARIES

How do these trends affect intermediaries' businesses? Authoritative independent research from consultants and Julius Baer insights lead us to the following observations.

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## 1. A GREATER RANGE OF CLIENT NEEDS

While key client needs remain largely the same, they are growing in range and complexity. Clients want their advisors to interpret the world's multi-faceted macrorends, preserve their wealth, and provide holistic wealth management solutions. Yet they expect all the benefits of automation, provided with the efficiency of Amazon, and virtual communication when appropriate.

For intermediaries this means blending digital interaction for simple reporting and transactions with personal advice for complex issues. That requires technology upgrades as well as learning new skills such as how to tailor communications to individual clients' interests.

Turning to wealth planning and investment: the world is becoming more complex. The international profusion of investment opportunities, the emergence of new sustainable and virtual investment products, and the likelihood of new tax legislation all mean that intermediaries should have access to expert investment research in order to meet clients' needs.<sup>1</sup>

Mastering the multiplicity of investments and fostering trust through the combination of human empathy and digital interactions will turn out to be a key differentiating factor that cannot be matched by platforms.

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## 2. A NEW EMPLOYEE CHARTER

A new pact between employer and employee is emerging with greater emphasis on inclusion, sustainability, and health. The pandemic has proved the benefits of working from home, as well as intensifying feelings about the importance of values.

There are several consequences for intermediaries. First, they need to provide flexible working models, backed by robust and secure technology. Second, they must strengthen their environmental and social behaviours, perhaps playing to their strengths as organisations that differentiate themselves through personal interaction.

Leaders will have to learn new skills. They must be trained to lead in a flatter hierarchy, with increased remote interaction and an emphasis on employee output rather than hours in the office. The pandemic will be seen as a turning point for how employees are managed or how leaders guide the organization to the future.<sup>2</sup>





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### 3. “AGILE” BUT LONG-TERM ORIENTED ORGANISATIONS

In a digital market environment, the profit margins of scalable and repetitive businesses are decreasing. As a consequence, banks and intermediaries must continue to adapt at even greater speed.

Agility will be a key competence that allows intermediaries to increase efficiency and develop new solutions to meet future client needs. Without doubt, access to digital solutions is a key requirement: it facilitates outsourcing of low-margin work, access to secure protocols, and automating of personalised basic customer interactions. Access to digital platforms will also help to increase the variety of products and solutions.

Agility can also help with the digital onboarding of clients, in ways that are focused on meeting individual – and more complex – client needs. This complexity will protect margins, setting the foundation for differentiation and growth opportunities. Intermediaries will be challenged to create hybrid client experiences that provide the best of both worlds – both physical and virtual.

1 Financial Advice Reimagined, Accenture, 2020 (N=200)

2 Shaping and safeguarding the banking workforce after COVID-19, McKinsey & Company, 2020





# AREAS OF ACTION – HOW TO ADAPT



# AREAS OF ACTION – HOW TO ADAPT

As the title of this report suggests, trusted advice will stand out more than ever in a world of growing digital automation. As AI and machines increasingly automate finance, so truly bespoke, independent, personal, and expert advice will be valued more than ever.

The intermediary's opportunity lies in offering the best of both worlds – trusted human advice and efficient digital automation.

This starts with understanding client needs. Data will play a part in wealth management recommendations but cannot replace the deep knowledge, empathy, and trust that exist between advisor and client.

Also, as smaller organisations, intermediaries have a natural advantage they can capitalise on: they can adapt quickly. It's easier to turn a yacht than a supertanker.

Finally, an intermediary can gain purpose through directly influencing both partner companies and clients.









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## FIVE PRACTICAL STEPS

We would recommend that intermediaries consider the following five practical steps.

### 1. Screen the horizon continually for new solutions and investment opportunities, as well as early identification of future challenges:

- Develop a clear view of your market environment in five years
- Prepare for business-related and digital risks
- Exchange with partners and employees to create a common understanding of your future competitive advantage.

Next steps for intermediaries: set up a simple process to identify key changes in the market environment, based on regular assessment of internal and external feedback from strategic partners.

### 2. Access state-of-the-art digital infrastructure:

- Participate in forward-looking ecosystems and established partnering platforms (for a wider product range, regulatory compliance outsourcing, back-office processes, automated interactions)
- Build a distinctive virtual identity (social media, modern website, search engine optimisation)
- Use state-of-the-art security solutions.

Next steps for intermediaries: assess state-of-the-art offerings from your network to get access to solutions from trusted solution providers.

### 3. Define a hybrid physical/digital strategy:

- Establish personal contacts for complex interactions and relationship building, and use virtual communications and automation for simple and fast exchanges
- Develop a hybrid workplace strategy: office for identification, ideas and exchange; virtual for individual work
- Set up a distinctive client data strategy, including a transparent ethical framework covering what data will be used and for what purpose.

Next steps for intermediaries: develop a clear understanding of your future client and workplace experience by analysing benchmarks and strengthening your own identity.

### 4. Enable holistic investment solutions with traditional and new asset classes:

- Use your independent position to choose from a broad spectrum of solutions
- Provide guidance for clients, employees and partners by identifying short- and long-term opportunities and challenges.
- Bring in external partners with specialist wealth planning and investment expertise, including the latest themes.

Next steps for intermediaries: collaborate with solution providers and partners that provide access to a broad range of products and services.

### 5. Up-skill the organisation:

- Train your employees about future asset classes and emotional intelligence for social interaction; give them responsibility
- Adapt your leadership culture (flatten hierarchies, focus on output criteria)
- Promote lifelong learning through regular updates on market development and about the future market environment
- Commit to employees' health and safety with a focus on work-life balance and safety standards
- Develop a clear societal position and values (diversity, inclusion, ethical standards) as part of your business model.

Next steps for intermediaries: define future employee and organisational skills – based on your understanding of client needs and market development, enhanced by regular exchanges with peers and partners.



# NAVIGATE TO SUCCESS



# NAVIGATE TO SUCCESS

It's no longer business as usual. Offering excellent wealth management is no longer enough. To thrive in the long term, you must be able to thrive in the fast-emerging new normal.

The Julius Baer Business Navigator advisory framework is made for a time like this; we're looking to support intermediaries as entrepreneurs. We can help you to understand today's challenges and growth opportunities – we give practical advice about how to improve overall business structures, everyday processes, and ways of working.

At the heart of this approach, we focus on intermediaries' two core business objectives: earning sustainable revenues and managing costs optimally. The advisory framework encompasses six different areas: business strategy, client offering, investments and performance, expertise, technology, and risk management. Every intermediary's strategic goal is examined according to three specific sub-dimensions: business strategy, technology and risk management.

The pandemic's catalytic effect is supercharging existing trends, challenging wealth managers, and intermediaries to adapt intelligently. Combined with new regulations, it is a game changer. With our **Business Navigator**, we plan to help intermediaries to adapt.

## JULIUS BAER CONNECTS INTERMEDIARIES WITH FINTECHS

Aiming to put our intermediary clients in touch with cutting-edge innovation, Julius Baer is connecting them with F10, the international start-up hub and incubator with offices in Switzerland, Spain, and Singapore.

As one of F10's main sponsors, we monitor and screen the start-ups on the programme. We have already partnered with some of the best of them, using their concepts to improve our products and services.

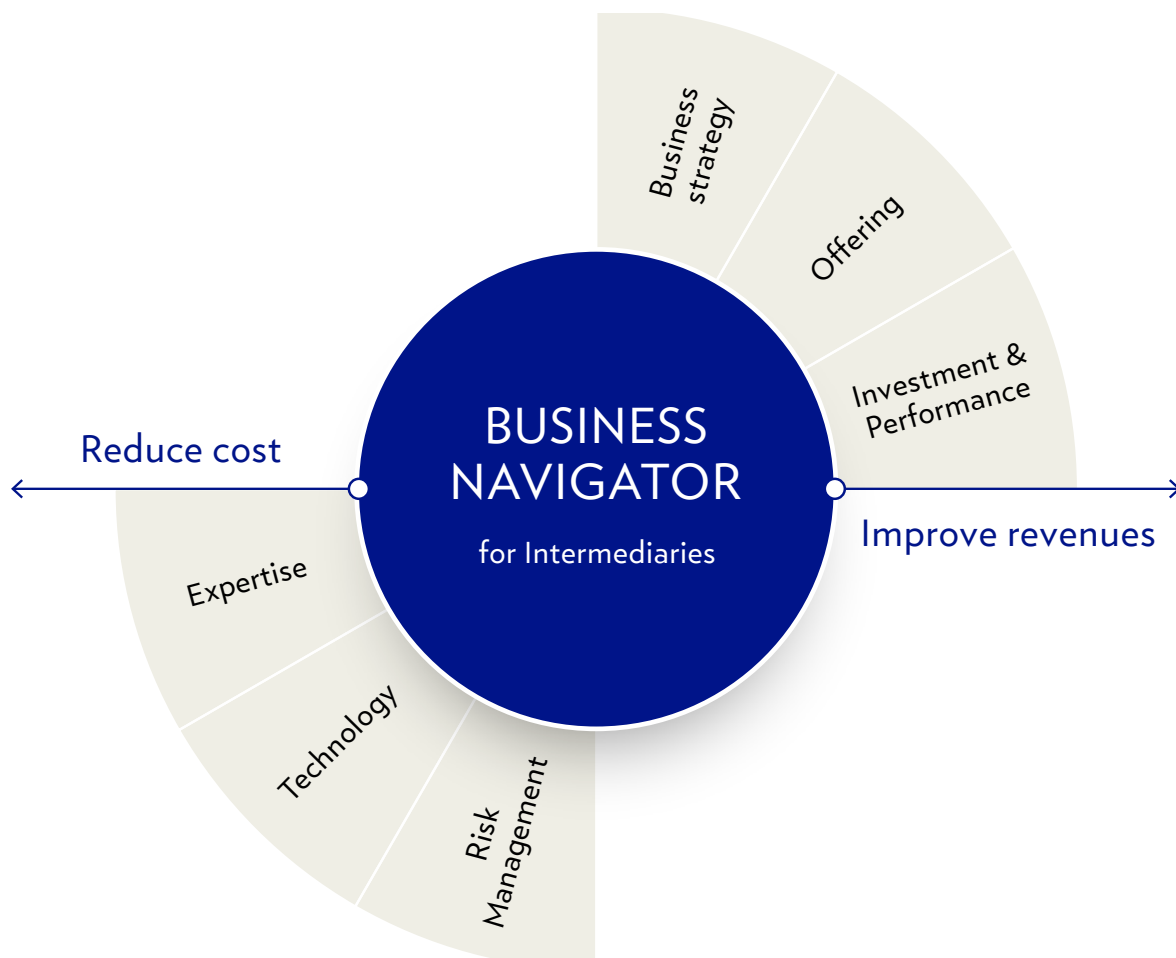
Now we are creating an F10 collaboration framework for intermediaries. Through networking and events, we intend to provide access to F10's pioneering concepts.











#### EXPERTISE

- Access to personalised Wealth Planning
- Succession planning
- Access to European market

#### TECHNOLOGY

- Consulting on tech expertise from portfolio management systems to connectivity
- Cyber Security check-up + expertise
- Training on Julius Baer tools

#### RISK MANAGEMENT

- Regulatory events
- Regulatory newsletters

#### BUSINESS STRATEGY

- Access to business strategy specialists
- Strategy newsletter + whitepapers

#### OFFERING

- Access to full suite of client solutions
- Priority handling

#### INVESTMENT AND PERFORMANCE

- Investment roundtable
- CIO research, outlooks, newsletters

## CLOSING REMARKS

Thunderbolts such as the pandemic only happen a few times in a century and leave lasting change. There is no doubt that intermediaries – like the rest of the wealth management sector – face considerable challenges. These come on top of the changes already underway due to rising regulation.

Yet intermediaries have natural advantages. As financial services become increasingly automated, the value of independent advice, empathy, and relationships will be stronger than ever. Trusted advice will stand out in a virtual world.

We believe that intermediaries must be entrepreneurial to make the most of their opportunity. Doing so will require a blended approach – combining the advantage of personal interaction with the efficiency of digital interaction.

If you require advice about your strategy, client offering, investments, expertise, technology, or risk management in the new normal, please contact your relationship manager.



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