Digital Transformation for Wealth Management

Learning to Drive the New CAR (Clients, Advisors, and Robots)

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Contents

Executive Summary

Game-changing technology is fueling disruption in the wealth management industry, changing the way your clients view the world, value brands, and make buying decisions. In fact, experts predict that the financial services industry as a whole will experience more transformation in the next five years than it has in the past 50.[1] And, according to a recent Cisco study, digital disruption could displace nearly 40 percent of all private sector incumbents over the next five years.[2]

But offsetting these predictions is the fact that with the right technology investments, banks can capture their share of a massive $3.1T in digital value at stake for the financial services industry between 2015 and 2024.[3] (The Digital Value at Stake is how Cisco defines the economic impact of disruptive technologies). Other predictions include the fact that:

- A recent global survey of executives showed that four of the top 10 incumbents will be displaced by digital disruption in the next three years.[4]
- Analyst IDC finds that the number of institution-client interactions will increase by a factor of four in the next five years as a result of the Internet of Things (IoT) and as the digitization of the consumer matures.[5]

To remain relevant amid these many changes, you need to find innovative ways of acquiring and servicing your customers. Cisco identifies six top strategic digital imperatives that need to be met to achieve this transformation:

- Planning Your Digital Strategy
- Securing Your Data and Systems
- Evolving Your Distribution and Client Experience Model
- Leveraging Your Growing Need of Robo-Advisors
- Connecting Your Workforce
- Aligning Your IT and Business Strategy

Cisco's Financial Services Business Transformation Group works with top wealth managers by leveraging technology to achieve strategic business imperatives. Cisco is your partner in helping to develop and execute on winning strategies. With decades of experience in serving global financial services companies, Cisco is a leader in creating a new vision for today's digital business transformations.

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1 Digital Vortex: How Digital Disruption is Redefining Industries," Global Center for Digital Business Transformation, IMD and Cisco (2015)
2 Ibid.
3 Ibid.
4 Digital Vortex: How Digital Disruption is Redefining Industries," Global Center for Digital Business Transformation, IMD and Cisco (2015)
5 Ibid.

Digital Transformation for Wealth Management

While the global economy continues to improve, the retail banking industry has remained highly volatile. Although economies such as the U.S. and China are gaining ground, Europe and the greater Asia-Pacific region[6] continue to struggle with political and financial uncertainties.[7] Retail bankers are concerned about risk management, improving efficiencies, and finding new ways to deliver services – especially improving the customer experience – as a way to offset these downshifts.[8] Regulatory requirements, tighter margins, and new customer demands all mean that banks must innovate to grow.[9]

However, wealth management has served as a haven during these dynamic times. To generate additional growth, industry leaders are looking to digital transformation to improve consistency and cut costs, as well as in other more stable businesses such as private banking, transaction services, and lending. They also need new ways to manage increasingly stringent regulations and the restraints demanded by cybersecurity.

Most of all, providers are seizing the opportunity to improve the customer experience. For example, 53% of European banks are looking to invest in customer-facing technologies.[10] And, in the Asia-Pacific, a more digitally connected and sophisticated base of consumers is emerging across both Eastern Asia and India.[11]

This global shift is creating new demands for advisors. Research indicates that technological, economic, demographic, and consumer trends will disrupt wealth management by 2021.[12] Both providers (46 percent) and investors (52 percent) are seeing competition and the rise of fintechs as the main driver of change over the next five years.

At its foundation, the wealth industry is being disrupted along three main axes: Clients, Advisors, and Robots (CAR). This CAR is becoming the new vehicle for the wealth industry to acquire, retain, and service investment-minded individuals; and to attract and equip a talented workforce and effective advisory network with technology that drives revenue.

Clients: Wealth client expectations are changing. They question the fees they pay for financial advice. They expect to be presented with financial solutions based on their own life goals and events, and they are less interested in being sold transactions or products. And they wonder why they don't get the same customer experience from their financial advisor that they get from retail, entertainment, airline, and other industries – including mobile apps and digital services that people use in their daily lives. As Aité Group's Ron Shevlin says, "The battle is not for the primary financial institution any longer, but for the primary financial app."[13]

Advisors: As client expectations change, wealth advisory firms are besieged by regulatory requirements, by turnover due to an aging workforce (more than half of the 315,000 advisors in the United States will need to be replaced[14] over the next 10 years), by defections to competitor firms or new firms,[15] and by increasing expectations for advisor productivity, set at the board level. Some clients and industry analysts question how well-equipped financial advisors are, and how effectively they share best practices and collaborate within their firms to leverage colleagues' expertise.

Robots: Robo-advisors are becoming popular entry-level offerings in the wealth market. Enhanced by analytics capabilities, they represent a new wave of value along with low fee structures, low thresholds for minimum initial investment, and personalization that tailors investment offerings to a client's life goals and risk tolerance. The investment advice business is no longer just about serving the mass affluent, high net worth, or ultra-high net worth segments. Anyone with discretionary income to invest now has access to the technology and algorithms used by the most prestigious institutions to invest capital.

The new vision for wealth management is for advisors to be present in the financial lives of their clients any time, at any place, on any device, and across any channel. Achieving this vision will require learning how to "drive" the new CAR.

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6 Retail Banking in Asia, McKinsey & Company
7 European Banking Barometer, EY (2016)
8 Retail Banking 2020: Evolution or Revolution, PwC (2014)
9 European Banking Barometer
10 Ibid.
11 The India Customer Experience Index, Forrester (2015)
12 Wealth and Asset Management 2021: Preparing for Transformative Change, Roubini ThoughtLab (Sept. 9, 2016)
13 Brett King, Breaking Banks: The Innovators, Rogues, and Strategists Rebooting Banking (2014)
14 *Aging Advisors Lack Succession Plans*, Financial Advisor Magazine, May 2013.
15 *Breakaway Advisors Look To LPL and Raymond James*, Financial Advisor Magazine, October 2012.
16 *UBS's U.S. Wealth Unit Shrinks Further*, Wall Street Journal, July 27, 2015.

As a starting point, advisors are moving to digital-ready infrastructures that enable a new level of real-time process and interaction enabled within new business models. A well-considered technology investment plan based on personalized customer experience, workforce innovation, optimized business operations, and managed risk allows you to generate savings and grow revenue over the course of the digital transformation journey. While the market waits for someone else to make the first move, you have an opportunity to seize the lead and achieve a sustainable competitive advantage.

Top Strategic Digital Imperatives

Today, you and your decision-makers have the opportunity – and the need – to make a profound difference in the way your business is run. Choices made today will impact not just current business, but the long-term stability and growth of your company. Your competitors, both traditional and emerging fintechs, are already formulating their plans to address pressing tactical and strategic business imperatives for their firms. Now is the time to embrace digital transformation to achieve a winning position.

Recent Cisco research found several troubling findings about the potential for disruption and incumbents' unreadiness to adapt. Survey respondents believe an average of roughly four of today's top 10 incumbents (in terms of market share) in each industry will be displaced by digital disruption in the next five years. Nearly a third are taking a "wait and see" approach, in hopes of emulating successful competitors. Only 25 percent describe their approach to digital disruption as proactive—willing to disrupt themselves in order to compete. The most successful disruptors employ "combinatorial disruption," in which multiple sources of value—cost, experience, and platform—are fused to create disruptive new business models and exponential gains.

The difference between digital disruption and traditional competitive dynamics comes down to two main factors: the velocity of change and the high stakes involved. Digital disruptors innovate rapidly, and then use their innovations to gain market share and scale far faster than challengers still clinging to predominantly physical business models. They grow enormous user bases seemingly overnight, and then are agile enough to convert those users into business models that threaten incumbents in multiple markets.[17]

Planning Your Digital Strategy

The unprecedented level of disruption driven by new competitive threats, evolution in digital capability, and a rapidly changing set of customer expectations is driving all industries to transform. Transformation towards a digital-centric operating model is progressing in three distinct stages (see Figure 1). Clearly, technology is having an exponential impact, becoming part of the value organizations deliver. Technology creates efficiencies and supports revenue growth. It also enables innovative capabilities through mobile engagement, analytics, and services delivery, offering a consistent context for interactions across channels. Many services can now be automated, giving better access to previously unavailable data sources and setting policies to make routine process decisions.

Figure 1. The Financial Services Digital Transformation is Progress in Three Distinct Phases

[17] "Digital Vortex: How Digital Disruption is Redefining Industries," Cisco, Inc. (June 2015)

Changes in consumption models are driving changes in the way companies build, use, and deliver such solutions. The result is an ability to leverage more customer and organizational information, scale reach to new levels, and enable penetration into areas of the market you have never touched before. Everything becomes connected – across data centers, the company, and customer mobile devices (see Figure 2).

Securing Your Data and Systems

As digitization of the financial industry accelerates wealth management, firms are faced with the impacts of new cybersecurity threats, regulatory change, and innovative technologies such as blockchain that pose both opportunities and challenges to their core business.

Cybersecurity

Cybersecurity has become a board-level priority for financial services over the past two years. While the focus has been on protecting and preserving the organization against threats, security investments also impact the ability to achieve business growth. According to the Ponemon Institute, the average cost of a successful cyber crime to a financial services company in 2015 was $13.5 million, the highest of any industry group.[6] In a recent Cisco study, 74% of financial services institutions say concerns over security are hindering their ability to innovate, and 37% say they have stopped a mission-critical initiative because of security problems.[18]

The financial services industry recognizes that cyber-risks can create significant liabilities that are greater than insurance policy coverage. Since cybersecurity falls squarely in the operational risk area, boards are asking managers to quantify cyber-risks and reduce the chance of loss (see Figure 3). Statistically, attacks by – or the incompetence of – employees and other insiders remain the top security threat to financial services. For example, disgruntled workers, partners, or contractors may access a profile giving them the power to maliciously impact the system, or the profile may be infiltrated by an adversary. Testing has shown that sheer carelessness on the part of employees may also allow access to private data or systems. This is why behavioral analytics has become the leading method for detecting and protecting from insider attacks in financial services.

Figure 2. Digital Transformation: Capabilities

In order to be able to deliver on Digital Business Transformation, organizations need to excel at a number of capabilities including:	
Hyper-Aware	· **Capture/Collect:** Organizations need to become Hyperaware by increasing their ability to sense, monitor, and identify
Informed Decision Making	· **Analyze/Distribute:** Real time accessibility and Visibility into info and insights · **Personalize/Predict:** Providing context and recommended action
Fast Execution	· **Act thru Automation:** Automate whenever possible · **Interact/Collaborate:** The ability of people/customers/value chain to collaborate, communicate, and make decisions

Figure 3. Cisco Security Approach for Financial Services

[18] Cybersecurity as a Growth Engine, May 2016, Cisco

New threats are also emerging, such as ransomware, which allows hackers to encrypt data or systems and demand a ransom to decode them. According to the FBI19, ransomware attacks alone are on track to become a $1-billion-per-year menace. Such attacks underscore the importance of business-critical data management and business continuity procedures. Many firms elect to pay the ransom because their current data backup and recovery capabilities are insufficient.

In facing such threats as these, the old techniques for securing the enterprise are no longer sufficient. Yet despite this, the industry remains underinvested in cyber defense. Multiple layers of security provide new levels of visibility, prevent breaches, and quickly mitigate breaches when they occur. Your firm must choose tested and validated security solutions that protect your customer and propriety information, meet regulatory and compliance guidelines, and preserve the company brand across functions and channels.

To achieve this, Cisco has created a “before, during, after” approach to cybersecurity that outlines solutions that can be deployed to maximize preparedness before, during, and after an attack. New levels of visibility are needed prior to an attack so that firms can identify potential risks before losses occur. Extending the firm’s visibility capability not only helps reduce cyber-risk, it provides a new degree of reporting to meet regulatory requirements for the industry standards. Cybersecurity must become a top priority to manage operational, credit, and liquidity risk.

Regulation

Emerging regulations such as the DOL Fiduciary Rule have broad implications to the business model of wealth firms: Such as how to properly segment products and services subject to the rule, make changes to fee structures, or architect IT solutions such that client accounts and interactions are compliant. This should all be done with the client at the center, allowing the client experience to be used as a business differentiator. Cisco believes that collaboration technology, data and application architectures, and analytics can play an important role in helping to manage the changes necessary for DOL Fiduciary Rule compliance.

Evolving Your Distribution and Customer Experience Model

An epic battle is being waged to win and retain investment-minded clients. As reported by the Boston Consulting Group (BCG), global private wealth assets totaled U.S.$164 trillion and grew 12 percent in 2014. However, in the same report, BCG stated that only around 25 percent of that growth was from the creation of new wealth versus the appreciation of existing wealth, due to rising market values.[19]

BCG has identified five categories of wealth advisory businesses in the United States. These include retail banks, online brokerages, registered investment advisors (RIAs), full-service brokerages, and pure private banks. Retail banks are trying to convert transaction centers into advisor centers and stores. Online brokerages are taking advantage of the trust built from transactional engagements to extend to advisory services. RIAs have done well in recent years as trust has broken down between some clients and their big-brand advisors, while full-service brokerages and private banks have been able to make investments in transformational initiatives and new technology platforms to expand their wealth footprint.

All these advisory businesses are all going after multiple segments of wealth clients, who can be roughly divided into the emerging affluent and mass affluent, the affluent, the high net worth, and the ultra-high net worth. Given the low threshold for the minimum robo-advisor investment level, we might add yet another market segment called “discretionary investable income,” which can start as low as $5,000.

All these clients have been exposed to digital experiences in several other industries, and this has raised the bar for expectations of customer service and digital experiences. If traditional wealth management firms can embrace a similar transformation, they can create an onramp for higher value and higher-margin services, thus avoiding a “race to zero” relative to fee structures. However, many – really, most – banks are simply not moving fast enough to keep up with technology-based services found in other industries. There is as much as a 60 percent gap in the market between clients who demand video engagement with their wealth advisors and banks that provide video capabilities.[7]

Yet another wrinkle lies in the challenge of “competing with free.” In the years ahead, much of today’s $168 trillion in global wealth will be transferred via inheritance to Gen X and millennials.[10] The Millennial generation has grown up surrounded by computers and immediate access to information. Some wonder why they would ever need a financial advisor. So “competing with free” needs to be part of the competition strategy for wealth management businesses who want to acquire Millennial clients or want to get ahead of the wealth transfer curve and develop relationships with Millennial children of existing clients. The question that needs to be explored in today’s market is, what does a “freemium” (free, premium) financial advice business model look like.

[19] Wealth and Asset Management 2021, Roubini ThoughtLab (Sept. 9, 2016)

Of course, even non-Millennial clients are exposed to the same inputs, interrupts, and real-time access points. This can either positively or negatively impact the financial advisor relationship. Better-informed clients might ask better questions, leading to an opportunity for the advisor to provide a higher level of value. However, distance can widen if clients feel they've become smarter than their advisors or advisors can't provide timely service.

Digitally Enable Your Workforce

As Baby Boomers leave the workforce for retirement, your company not only loses leadership but gains a significant gap in organizational knowledge. Younger workers need access to new resources to help them fill the shoes of more experienced elders. At the same time, you need to achieve better worker productivity by embracing a digitally enabled workforce.

To resolve this paradox, your organization must find ways to harness the technical knowledge and lessons learned by senior executives, making that competency available to the entire workforce. You also need to assess and reach out to more diverse groups of prospective workers, identify top performers, and provide them with the tools they need to maximize their contributions to the firm. Just as important to hiring and retaining top talent is creating a work environment that will attract tech-savvy millennials. Many financial institutions remain firmly rooted in the practices of the past. But traditional offices are not well-suited to engaging employees who increasingly expect to be able to work across a variety of geographic locations, time zones, and digital platforms. They expect to collaborate freely, work wherever they are, and engage with customers across channels from the phone to social media.

To stay competitive, organizations need to transform their workplaces from cost centers into flexible, collaborative workspaces that empower workers to work whenever and however they want. Your competitors who are willing to provide a modern work environment will have the first choice of good talent.

We proved this at Cisco by example: When we deployed our workforce experience solutions in-house, we realized significant, ongoing positive results (see Figure 4).

Leveraging Your Growing Need of Robo-Advisors

Two opinions exist into today's market; those who don't think robo-advisors will have an impact on their business and those who think robo-advisors are becoming a central part of the advisory services industry. The latter group believes that robo-advisors will change traditional advisory business models, displace human advisors to a significant extent, and capture market share from traditional wealth management businesses.

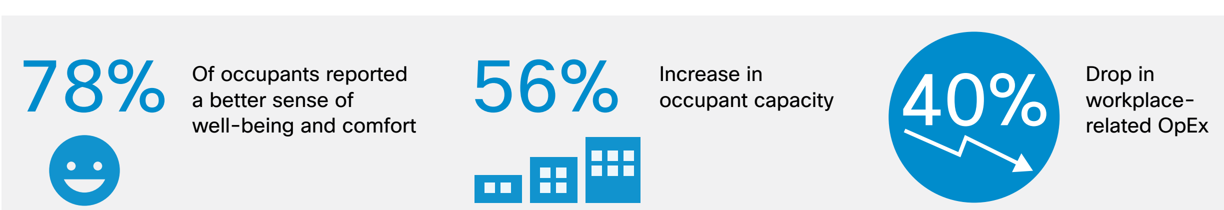
PFM v. 2.0 and Global Inclusion

Some consider robo-advisors to simply be a new version of personal financial management (PFM) software. PFM software made headlines over the past decade by providing a simplified user interface for bank account aggregation, spend categorization, investment tracking, and integrated loan origination. PFM didn't seem to threaten the wealth management business at the time, so what has changed?

For one, capital markets have rebounded at a time when computing for the masses has never been more accessible. This is a result of global smartphone penetration and consumer-grade applications entering the enterprise. According to the International Telecommunications Union (ITU), in 2015 "there were more than seven billion mobile cellular subscriptions worldwide, up from less than one billion in 2000. Globally, 3.2 billion people are using the Internet, of which two billion are from developing countries."[8]

The demand for financial inclusion has gone global, as we have seen in Kenya. It has been estimated that as much as 31 percent of Kenya's GDP is spent using the M-Pesa payments app on mobile phones. In North America and in other capital market-intensive economies, there is a push for equal access to this technology.

Figure 4. Cisco Workforce Experience Survey - Key Areas of Digital Value Impact



Today's perfect storm has disrupted the wealth management business model in ways never seen before. A new financial advice market is forming, and with it a new segment of wealth clients who can be described as almost anyone with discretionary, investable income. In this fast-changing world, a la carte digital services could tap into trillions of dollars in the developing world's "gray economy."[20] At Cisco, we believe that the robo-advisor development will ultimately affect all segments of the wealth management industry. Even ultra-high net worth families will want some version of what we know as robo- advisors today. *Investment News* reported in February 2016 that Vanguard has $31B USD assets under management and Schwab had $5.3B, respectively holding the number 1 and 2 positions. In October 2015, Schwab publicly reported that 1/one-third of the assets and one-quarter of the clients of its intelligent portfolios were new to the firm.[21]

Coexistence with Human Advisors

While software advisors will not replace human advisors, Cisco does anticipate a probable shift to self-service and assisted self-service channels and platforms, not dissimilar to what is occurring in retail banking. Investors have higher expectations for service, ethics, knowledge, and certifications. At the same time, they want providers to offer more personalized advice geared to their financial and life goals. If they don't get it, almost half of investors are ready to switch to a new provider. In fact, key segments such as millennials and women, among the most apt to jump ship.[12] A similar model presents an opportunity for established wealth firms who offer a fee scale that spans from "freemium" to full-service offerings. They will need to reimagine their differentiation and value-add, develop new products and services, and offer flexible fee structures that meet the new price elasticity curves that result from increased competition and low-cost digital offerings.

In this way, they can complement the entry of robots into the marketplace and continue to position and warrant higher margins on the highest-risk, most complex tasks that require human intervention, empathy, and judgment.

Getting Ahead of the Wealth Transfer Curve

Failure to embrace the robo-advisor trend could put a significant portion of the $30 trillion in wealth expected to be transferred over the next 30 years at risk.[20] According to *Investment News*, 66 percent of children fire their parents' financial advisor after they receive an inheritance. Failing to develop strong relationships with children of wealth clients may put assets under management at risk upon inheritance. This might happen if the inheriting generation gets comfortable with a robo-advisor service and brand outside the firm that manages the family wealth today. Wealth management firms that embrace self-service investment technologies and provide the digital experience and customer service expected, on the other hand, will be better positioned to retain these assets under management. These firms will need to become accustomed to lower fee structures for basic services and develop a robo-advisor brand as part of a spectrum of offerings.

Robo-Analytics

With more than 200 robo-advisors on the market today, perhaps the most important value for providers is the analytics that they collect and the insights they derive from the analytics. As in the case of payments, the information about a transaction has more market value than the transaction fee itself. Having an analytics capability helps wealth management firms understand what clients need now and over time, what content they seek, what questions they have, how frequently they have them, where there are frustrations, and what market acceptance looks like for new products and services–in near real time.

As the robo-advisor market grows, more data will be immediately available for firms to make same-day adjustments in service levels, the design of user interfaces, and the design of products and services themselves. Collection and analysis of client data can provide an unprecedented intelligence feed in financial services, resulting in a treasure trove of information used to differentiate in the market.

Figure 5 shows the areas where humans can best differentiate themselves from robo-advisors.

Connecting Your Workforce

Cisco's vision for the Connected Advisor is one where advisors are connected to the people, processes, and data that they need to serve clients in real time. The Connected Advisor can find other experts on demand in and out of the firm and quickly assemble the right team at the right time. The Connected Advisor can engage clients on any channel using video, audio, and document browsing for remote expert meetings. Calls coming into the call center can be routed in real time and in many cases converted into sales opportunities.

Connected Advisors have access to the people they need to serve clients quickly and efficiently. They use business processes that were designed based on the workflow of

[20] Wealth and Asset Management 2021, Roubini ThoughtLab (Sept. 9, 2016)
[21] Ibid.

the business, not limitations in the technology. They have access to data across the organization with context, including client transaction data that has been correlated with client interaction data from activity across channels including branch, help desk, and mobile.

The Connected Advisor is also able to visualize client, market, and historical data in the form of actionable insights, and compare business analytics with other advisors across the firm. They have access to applications powered by software services and analytics that help predict what a customer needs based on life events, financial goals, client activity feeds, and an expanding understanding of the financial household. They are accessible anywhere by colleagues and clients through mobile device, network access, and software capabilities.

The Connected Advisor does not sell products or transactions. Instead, they position financial solutions around a client's life events with a deep understanding of the needs, goals, aspirations, and potential of the individual, family, or franchise.

Figure 6 shows the importance of providing the Connected Advisor with contextual insights, with client intelligence embedded at the foundation of the technology architecture.

Figure 5. How Human Advisors Can Differentiate Themselves

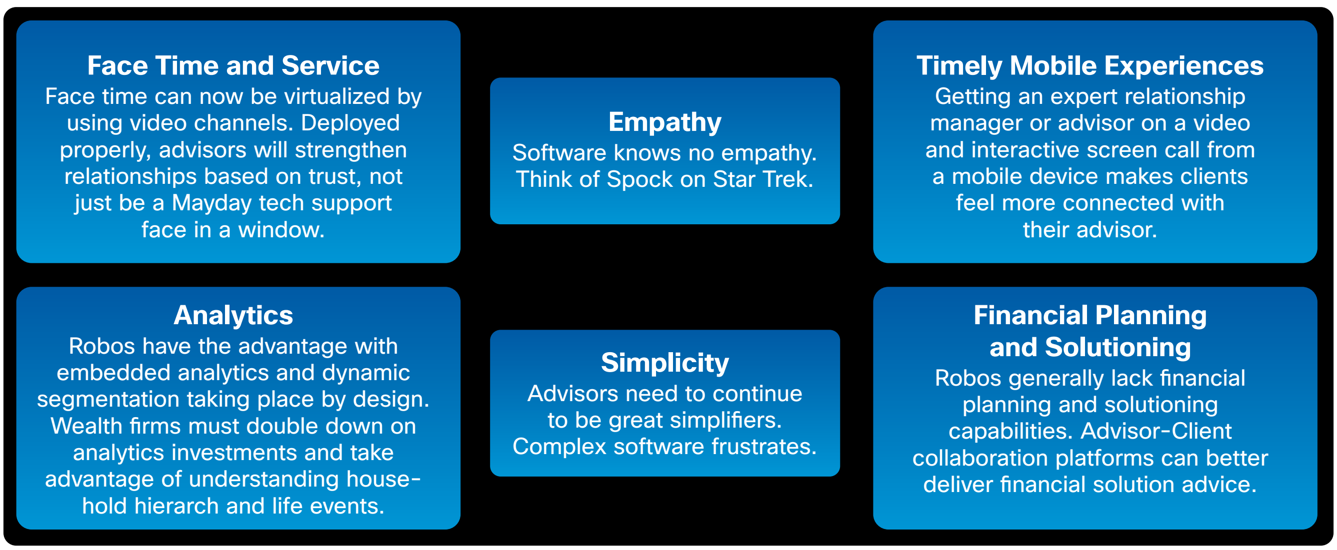
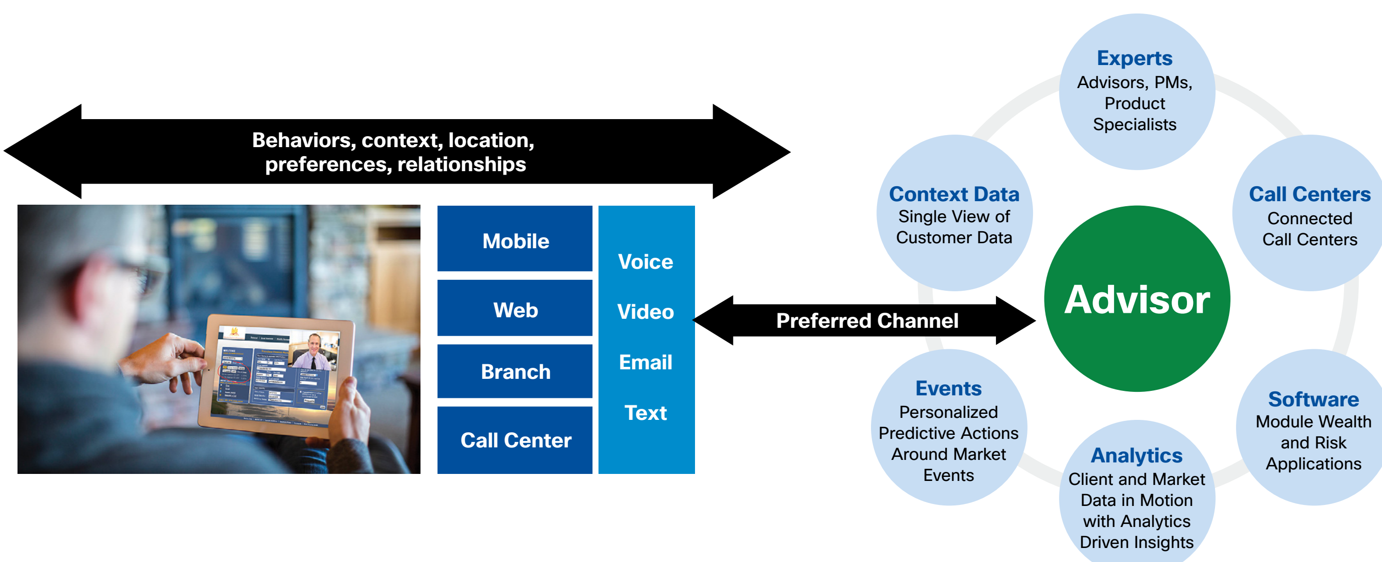


Figure 6. The Connected Advisors



Aligning IT and Business Strategy

Today, siloed management and information technology can easily become almost unmanageable. When tactical and overall strategic goals, data, priorities, processes, and tools do not align with those of other departments, there is increased risk of lost business, lower operational excellence and productivity, increased exposure to regulatory and compliance requirements, and higher operating and capital expenses.

Aligning IT with business functions helps to support collaborative enterprise strategy by breaking down the silo mentality. It promotes a smooth flow of data and information across the organization. Such an integrated environment far more strongly supports the omnichannel experience, improving your competitive position with an enhanced customer experience.

How to Transform Your Business Outcomes

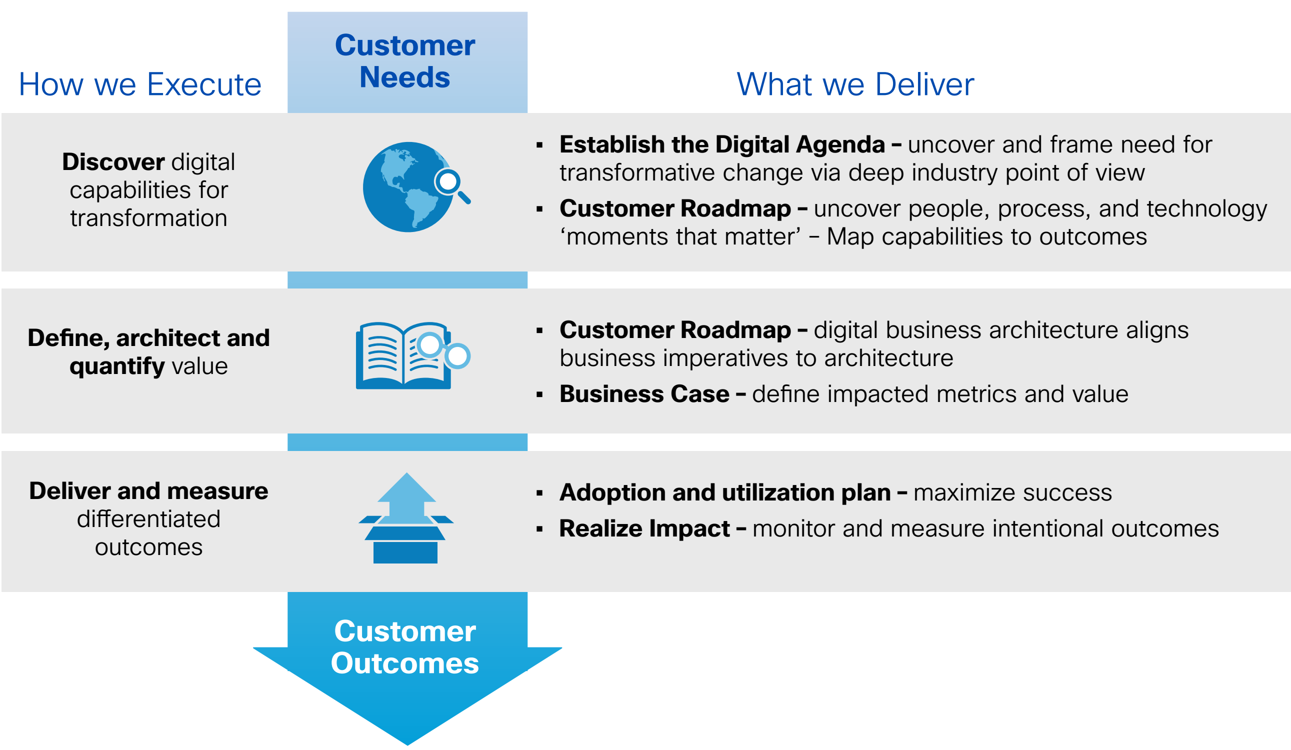
Cisco believes that the wealth management industry must embrace disruption and take a business outcome approach to achieving board-level imperatives. Our research shows that advisors want to be able to partner with "digitally native" companies that clearly demonstrate how solutions align with their business goals. This includes being able to provide tech-to-business insights, build strong relationships across both IT and business teams, and present solutions in the context of your specific imperatives. You also want to realize the value of your investments, and that you can take advantage of flexible delivery models (including financing of CapEx).

Cisco's approach is adjusted to meet the widely varying needs and standards required in financial services organizations across regions around the world. As part of our differentiated customer engagement model, we help to identify outcomes, map journeys that simplify, connect our experts to guide through change, and capture results that enable transformation. Our global perspective and industry expertise help you realize value, accelerate growth, and enable transformation. We:

- Know your business priorities
- Bridge the gap between line of business and IT
- Connect Cisco and partner capabilities
- Focus on the entire customer journey

Based on a Cisco Business Outcome Approach, your digital transformation drives toward your organization's strategic objectives to derive solutions that most effectively drive toward that outcome (see Figure 7).

Figure 7. Delivering Customer Value



Discovery

Depending on your location and business needs, Cisco executes a robust discovery process for the provider to identify and document how digital solutions can achieve optimal outcomes. This effort is not a single exercise, but a continuous process of analysis, documentation, and socialization throughout your organization and with the partner community. Cisco uses multiple techniques for investigation and diagnostic assessment, including stakeholder interviews, customer journey mapping, subject matter expert interviews, and use-case/best-practice alignment.

Design and Quantify Value

Secondly, Cisco may conduct a detailed Architecture Design that will align existing capabilities with prioritized solutions that drive optimal outcome based on findings from the discovery stage.

To help achieve this stage of digital transformation, Cisco starts by working with you to develop a Digital Transformation Roadmap. This outlines what bankers should be doing both now and over the next three to five years to achieve company goals, while managing risk and compliance. It also helps to define which technology investments will deliver a next-generation customer experience in the era of digital and mobile-first.

To gauge the tangible economic benefit of your digital transformation journey, Cisco may perform a Value at Stake analysis – a three-step process that provides an "outside in" point of view to your firm to define, validate and quantify the business outcomes that the proposed solutions will help drive:

- **Phase 1:** Cisco customizes a "value map" based on the solution use case hypotheses to show the logical linkage between the solution capabilities, business processes, key business levers, and impacted metrics that will generate financial outcomes.
- **Phase 2:** Cisco calculates an order of magnitude of potential financial impact using a proprietary financial model, based on your publicly available data combined with industry benchmarks and assumptions.
- **Phase 3:** The Value at Stake results are presented to your stakeholders and provide a basis for further discussion.

The Value at Stake analysis will be further refined when you validate assumptions, data and metrics. It becomes the basis for a more comprehensive business case.

Acceleration

The third stage of the business outcome approach is focused on solution acceleration, including deployment, measurement, and continuous improvement. Every outcome-based solution requires a detailed understanding of what will be achieved, as well as a detailed methodology for tracking and assessment to realize a viable return on investment.

However, technology change is not a solution in and of itself. And there is no "silver bullet" use case. Rather, transformation is a process, a journey—one that must include organizational changes, workforce empowerment, and clear leadership.

Conclusion

Wealth management firms face unprecedented challenges to margins, profitability, and ROE, given changing client demographics and expectations, increasing regulation, new security threats, game-changing technology, and new digitally savvy players entering the market.

At the very foundation of change within the wealth management industry, the most important considerations are how clients, advisors, and robots – along with software-driven self-service models–are shaping the future of the industry. The successful wealth management firm must have a holistic business architecture design whose implementation must take into account new people, process, and policy models.

Doing so will allow the deployment of technology at scale, which can create a force multiplier in the marketplace. Technology can disrupt the cost structure of the firm, materially reduce risk, improve security and compliance, free up capital, and–by fueling a culture of innovation–delivering next-generation experiences for both financial advisors and wealth clients. Are you driving the new CAR to its, and your, full potential? If so, you will be an industry leader three to five years from now.

Cisco has more than 30 years of experience in the financial services industries, offering a global view and extensive background in creating the infrastructure required for true global commerce. To define and deliver business value, we approach our work with authenticity, accountability, curiosity, conviction, and connection to achieve outcomes that matter. As the business landscape continues to change, you need the right guidance and capabilities for the journey ahead. We work at the speed of change to redefine how you can build new business models, infuse collaboration, simplify processes, create efficiencies, and generate growth, clearing the path for your journey to digital transformation.

For more information on how Cisco and our partners can help transform your business, please contact us at FinancialServices@cisco.com.

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