

Digital alpha generation

Generating value through a high-touch, digitally integrated investment experience is key for wealth management to generate alpha in a changeable market. Objectway can provide digital solutions for companies looking to pivot into the 'new normal'.

Historically, the wealth management industry has been focused on generating alpha to demonstrate to investors that each organisation's investment strategies were able to generate better returns than their competitors.

From Objectway's discussions with the major players in the market, it is seeing a shift in investors' decision-making processes. Investors are more informed and aware that generating a positive alpha is no longer easy. Driven by the digital disruption, and by generational and behavioural changes, investors have become more demanding, more discerning and less loyal to their wealth management companies.

So, what will make the difference in investor acquisition and retention? The overall investment experience has to be personalised and engaging so that clients feel that their needs are served properly.

Organisations trying to achieve organic growth by offering a superior performance to their clients should be examining big data, AI or augmented intelligence algorithms and digital channels to assist in the generation of additional value and growth.

To deliver digital alpha, companies need to combine a range of factors to generate value for customers. The crucial ingredient is to have strong investments strategies supported by AI-driven engines. These are 'intelligent investment strategies' because they can leverage tools and capabilities such as:

- semantic analytics applied to market sentiment analysis. These tools will objectively scan market and stocks news to predict market sentiment.
- AI-driven portfolio optimisation algorithms embedded in the investment journey, generating algorithm-optimised suitable investment proposals, personalised to the investors' personal requirements.
- AI-driven compliance to ensure that all proposals produced are suitable, and to implement ongoing monitoring.

The other key element is a high-performing front office. The most expensive staff in the organisation, front office generates the company's revenue. To retain these resources, and clients, it is essential that they are equipped with the tools to enable them to be efficient. This means managing more clients and, at the same time, making the client experience more engaging and hence increasing loyalty.

This is one area where digital channels enablement can add value by providing the front office with tools to work 'anytime, anywhere', and, for example, allow them to capture a client's goals and simulate an optimised portfolio on-the-fly in a client meeting, thereby demonstrating flexibility and responsiveness.

Gain value

AI can extend this further by using social analytics, news aggregation and semantic analysis to help present news and investments that are personally relevant to the client, even taking into account life events. By adopting these tools, a 'digital plus' adviser will become empowered in the eyes of clients by delivering a proposal tailored to their needs.

This hybrid approach, where face-to-face is augmented by AI algorithms and digital interactions, delivers a stronger proposition. By generating value throughout the investment experience, companies can also secure their customers' relationship.

If digital enablement can generate additional alpha, it can also reduce beta: meaning it can reduce the volatility in the customer base.

As ascertained in practical implementations of this high-touch, digitally integrated investment experience at clients, advisers have doubled the number of managed clients per head, reduced advisory time from hours to minutes, offered better-quality of service and higher portfolio returns, while retaining real-time compliance monitoring. ●

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