

# Our post-pandemic world; greater challenges or greater opportunities?

Zurich-based additiv has been a recognised innovator of digital wealth management solutions since the firm's creation in 1998. The pandemic afflicting the globe has suddenly challenged the firm to become even more agile, and to move at a speed that only a few months ago was unimaginable within the industry. In mid-April, the firm launch KickStarter™, a new rapid implementation option enabling its proprietary digital engagement and orchestration solution to be launched within three months. In addition, contrary to market turbulence, the company has been able to build business traction and boost revenues by engaging in seamless collaboration internally, and externally with clients, supporting them through these difficult times. Thought leadership in a period of uncertainty should be a key focus, with additiv producing some valuable future-focused reports this year on the finance industry and wealth management, including their most recent paper: *Post-pandemic wealth management opportunities*. Hubbis met up remotely with the deep-thinking and eloquent Michael Stemmler, Founder and CEO of additiv, and with Christine Schmid, a recent arrival as Head of Strategy, who came armed with a blue-chip resume, huge experience and who has hit the virtual ground running to help advance the firms footprint and the capabilities of additiv clients.

## Established in 1998,

additiv partners with the world's leading financial institutions to help them capitalise on digitisation. Its market leading DFS System of Intelligence is an orchestration engine that lets financial institutions quickly launch new propositions as well as giving them the intelligence to maximise customer engagement. Headquartered in Zurich, additiv is supported by a wide ecosystem of implementation and solution partners that enable it to deliver unparalleled customer success to wealth managers and credit providers globally.

As a company, additiv have been very vocal in recent months on the impact and subsequent market needs post the pandemic. Just last week Schmid spoke on a [podcast](#) alongside representatives from BGC and Citi on this very subject and additiv have also recently published a paper: [Post-pandemic wealth management opportunities](#). They are passionate about preparing their clients to not just survive, but to thrive, and as a result in April they launched their KickStarter™ solution, which enables wealth managers to undergo digital transformation in just three months. "As a leading SaaS provider to the wealth management industry," Stemmler comments, "additiv wanted to launch KickStarter™ as an industry-first solution at a time when the industry needed it most."

Speaking with Stemmler and Schmid, the discussion allowed for the further exploration of the impact following the pandemic upon the industry, their approach to turning current challenges into possible opportunities, and other trends that are shaping the wealth management world in what for most is uncharted territory.

## A CLOUDY OUTLOOK BECAME STORMY

Prior to the pandemic, digital-native competitors and new product providers were putting revenue margins under pressure. Compliance and legacy implementation and processes caused costs to rise. The growth in assets wasn't quite enough to offset these effects. Overall profits were stagnant. This was a worrying picture for the wealth management industry, but it wasn't disastrous.

However, the pandemic has brought the industry to a tipping point. "A cloudy outlook," says Stemmler, "suddenly became stormy. In the near term, the crisis and imminent recession will likely shrink asset bases, putting profits under greater pressure."

**Since the pandemic and social distancing, consumers have suddenly become accustomed to instant, seamless digital services. Anything less than this post-crisis won't cut it. In addition, wealth managers will have to conform to growing demands for fairness and transparency that, post-crisis, will certainly increase as people call for better advice and greater value-add in managing their commercial and financial affairs**

While he adds that this is nothing new, he warns that the crisis will also crystallise an unprecedented transformation in operating, servicing and sourcing models. "Wealth managers will need to quickly match up to the demands of customers," he explains. "Since the pandemic and social distancing, consumers have suddenly become accustomed to instant, seamless digital services. Anything less than this post-crisis won't cut it. In addition, wealth managers will have

to conform to growing demands for fairness and transparency that, post-crisis, will certainly increase as people call for better advice and greater value-add in managing their commercial and financial affairs."

## ASSETS UNDER INTELLIGENCE

According to Stemmler, one meta trend additiv has identified in wealth management is the move from assets under management to assets under intelligence. "Post-pandemic wealth management will be characterised by firms' abilities to add value to clients by interpreting and drawing insight from multiple datasets to deliver services that are more personalised, more helpful, more optimised for risk, and which deliver stable and high returns against their financial

goals," he observes. "And all this is happening simultaneously."

However, as Stemmler highlights, "to achieve true assets under intelligence is really expensive," he comments, "so we have to be able to source via the cloud, therefore creating low-cost access and base, so the smaller players with less financial resources can catch up with the biggest wealth managers, asset managers and investment managers in the world. And there



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is no excuse now not to do this, as the impediments are no longer cost and technology.”

**REAL ADVICE**

Stemmler explains that there is a need to look at how the market provides advice. “Firms must be available for advice and for what we can call real advice,” he elucidates. “Real advice is offered at two levels. First is the planning, as your financial assets and your overall planning due to the economic impact of this virus may change, so you have to plan afresh, and react smartly, which is what a good wealth manager can help clients with, as needs are converted into solutions.”

Secondly, the industry must be able to offer and construct completely new portfolios and services, and in such a volatile and uncertain environment, you need risk management. Accordingly, as a wealth manager, you must safeguard the assets, and for that, you need data-driven technology and tools that provide you with the intelligence to combine the right levels of risk management with the best investment solutions.”

**REMOTE REQUIRES A FRAMEWORK**

Schmid and Stemmler believe that while everyone can henceforth potentially work flexibly, it is also important to have a framework, discipline, and transparency. “Leadership is changing,” says Schmid, “and it is all about power to empower our teams, and then constant monitoring and helping to deliver results. Know-how must be further democratised throughout organisations. Agility is essential.”

She explores this concept further, explaining that the typical process-driven style of many organisations must change in preference for agility, collaboration 24/7, resilience, and speed. “Resilience,” she explains, “means in a data-driven industry such as banking and financial services, you need constant access to information and data through optimised models. The data-driven platform is the future - new information means new directions.”

**A DIGITAL URGENCY**

Schmid comments on the digital urgency: “We have seen a 10-year process happen within a few months, whereby the lack of optimised digital channels has significantly reduced the capacity for being accessible to clients and to reach out to them. The other driver for the report published is the rising inequality across the world in financial well-being, and how that can be addressed.”

Schmid adds that speed is of the essence, more than ever before. “And this comes down to why we believe that henceforth it is all about real-time, full-spectrum digital capabilities and the focus on assets under intelligence and not assets under management anymore.”

In addition, customer demands are changing at the same time as cost pressures are intensifying. For most wealth managers, this is creating an impossible balancing act. “But this is why we have launched KickStarter™ at this time, to resolve this seemingly unresolvable challenge,” Stemmler explained. “It has all of the capabilities that wealth managers need to digitally upgrade their business model and put themselves in a position to prosper in the post-pandemic world.”

**THE VIRAL CATALYST**

The report explains that the bundle of wealth services is expected to change and grow. “There will be more focus on education and planning,” Schmid explains. “New services will add to the current offering, especially around helping clients to decumulate their wealth in a structured and optimised manner. And there will also be a different interpretation of risk, with cyber defences becoming more critical than physical defences, for example.”

Schmid offers further insight into additiv’s thinking. “The temptation in any crisis is to defer action,” she comments, “in short, to pause and reflect. However, this crisis calls for a different kind of leadership. While it is not a financial crisis in name, its effects will likely be bigger and more widespread than the last financial crisis of 2008/2009. It calls for immediate action if your business is to prosper further. It may not sit easy to be kicking off new projects during a crisis, but now is the time to enhance your business model to underwrite your future competitive advantage. With no implementation costs for the project, followed by materially and sustainably lower IT and operating costs and the

best digital client experience, with KickStarter™, we believe we have offered an easy decision for clients.”

“We now offer full integration and customisation and all training for free,” Stemmler reports, “and offer the wealth manager the possibility to act quickly, and without being tied into long contracts, so they can cancel any contract within a month, those contracts starting from USD20,000 all in per month, which we believe is very reasonable.”

What their KickStarter™ solution does is effectively take the true value that a SaaS solution offers to another level. Available in the cloud, it is an integrated SaaS implementation package which provides the building blocks for unprecedented rapid delivery, transforming their clients’ wealth businesses.

KickStarter™ allows easy access to additiv’s solutions, including their Hybrid Wealth Manager which offers an optimum digital customer experience; self-service, in person or a hybrid of the two. This new model allows wealth managers to benefit from instant digital transformation without the need for any capex spend or any implementation costs and includes initial data loads and free customisation. “In fact,” Stemmler reports, “the only fees that clients pay with KickStarter™ are SaaS fees, there is no capex spend or implementation cost.”

### DELIVERING VALUE TO WIDER MARKET

“There are two major risks that threaten the progress of the kind of work the financial sector needs to do in order to achieve the lofty - but vital - societal goals we see as essential for the future,” Schmid comments. “The increasing lack of return is one of them. Geopolitical

tension and volatility combine to make the other major risk.”

KickStarter™ was designed to help wealth managers also reach a broader demographic of customers. There is still a large market who are underserved in banking. 1.8 billion people, with more than USD10,000 in investible assets, could be served if wealth managers were able to reach them over the right channel and at the right price point. “This is what the solution can do with pre-configured user journeys and apps for mobile-only service,” Stemmler adds.

However, to extract real value Stemmler and Schmid believe that banks must orchestrate lasting value through systems of networked intelligence, KickStarter™ is built upon one such system; their DFS System of Intelligence platform.

### VALUE THROUGH ORCHESTRATION

These systems of networked intelligence, they explain, combine software-as-a-service with integration-as-a-service, aggregation-as-a-service, service-as-a-service, and analytics-as-a-service in a way that engineers value not just for single clients but for the network of users as a whole. “When everything is a service,” Schmid concludes, “technology and innovation enable banks to adopt a strategy that enables them to act responsibly towards all their stakeholders and support society throughout its regeneration process.”

Combining a true system of networked intelligence platform (additiv’s DFS System of Intelligence) with their User Experience Platform, KickStarter™ transforms operating, servicing



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and sourcing models. “It offers a highly immersive omnichannel customer experience, whether self-service or advisor-assisted,” Stemmler reports, “while always fully compliant with regulations. In addition, it provides sophisticated analytics to personalise every user interaction and to create individualised, always optimised portfolios. And, lastly, by streamlining and automating back-office processes, it enables wealth managers to cut costs.”

However, Stemmler highlights that there is additional high value within additiv’s capabilities and solutions. “There are essentially some key elements that we emphasise,” he reports. The report highlights many areas of human endeavour and many challenges facing individuals and societies that can be addressed by a financial sector that addresses the key challenges of our planet head-on and tackles them with a principled vision.

### OUTSOURCING FOR EFFICIENCY AND COST

Schmid steps back slightly to consider the advice additiv offers in the current environment.

“Focus on the client, focus on your advice, on your added value, on better performance than your competitors,” she explains. “And don’t try to make everything in-house; like car makers, outsource to the best and most cost-efficient suppliers. Similarly, at additiv, on the operating model side, we offer SaaS service, which is remarkably cost-efficient for clients, and at the same time it is faster, integrated and outsourced, thereby removing numerous internal headaches and costs and ensuring optimal outcomes.”

firms must be to rigorously focus on where they create value for clients and shareholders. “My catchphrase perhaps is to focus on focus,” he says. “Do not add cost and complexity; those make you less focused and less resilient.”

**WINNERS AND STRUGGLERS**

Schmid uses this to consider who will survive and who might struggle in the foreseeable future.

She observes that there is ongoing consolidation because size matters,

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Schmid adds: “Our operating model for example allows providers to have easier and automated internal collaboration, as everybody has to be able to collaborate on one platform - the clients and the bank internally - from wherever they are and at any moment.”

Their servicing model compliments the ease of their operating model. additiv can bring any wealth manager within three months into a fully omnichannel digital environment including personalised advice, compliant high touch tools for advisors, the tools for the advisor to construct cleverer portfolios together with the clients and for the clients for self-service.

Stemmle picks up on this perspective, adding that the emphasis for wealth management

meaning that the smaller private banks and independent financial advisors must either consolidate or realise that to survive they must realise they cannot do everything themselves, so they need to join some kind of an orchestration or aggregation platform, and sourcing products, solutions and services there for their clients.

“In addition,” she observes, “quality and trust are again to the fore, as there is a flight of assets and inflows to quality, for example to the major banks in Switzerland, as sovereigns around the world take on ever more debt and anxiety grows about financial capacity and stability. Quality matters.”

The final key element, she explains, is to look up and focus on the client and societal needs. “Repositioning of financial planning for clients and for



the mass-affluent and retail markets is needed because someone has to help to fund the longer life expectancy around the world. Those that offer enhanced solutions for pensions and financial planning for the mass market will be best placed to survive and thrive.”

But as to those who will struggle, she has doubts over the neo banks, as chatbots might not be enough to convert people to wealth management customers. “Only the new entrants offering some real personal support if required and maintaining a lid on costs will survive, we do not think the chatbot route alone will prevail, so those others will fall back perhaps on payments, or lending only, but no longer be competitive in wealth management.”

### DIFFERENTIATION

Stemmler offers his interpretation. “I agree with those views and can add that differentiation is essential. If you do don’t have the size, and

you are simply caught in the middle, without true differentiation, you will struggle. You can achieve scale and synergy via ecosystems, networks and platforms, leading to the capability to provide value, to offer differentiation, all at a manageable cost base. That means you can focus on focus.”

### BIG WINS FOR ADDITIV

He reports that the additiv approach has been winning big, especially as clients are offered the ability to significantly upscale without capex. “This has resulted in a major rise in demand,” he states. “Honestly speaking, working and collaborating with clients and partners remotely is working perfectly.” Schmid adds that without travel, the speed of client interaction has increased dramatically, as well as the efficiency. “You could even claim we have become more efficient,” she comments.

Stemmler extrapolates, explaining that as working methodologies have evolved, it is vital to ensure collaboration and personal relationships are maintained or even enhanced. “People are perhaps not going to be in offices every day henceforth in normalised times,” he observes, “but we all need dialogue, so internally in wealth firms and externally with the clients this must be consolidated and enhanced.”

### EMBRACING CHANGE

There is no doubt that additiv has been moving with remarkable alacrity. Their positioning is not, however, a change of tack or repositioning, as their vision, their messages and their solutions were already on the same road. It is simply that they have seen a great opportunity to fast-track the creation and delivery of their solutions on a virtual global expressway, at greater speed and to a marketplace suddenly in even greater need. ■

