

Big tech aims to partner with wealth managers rather than compete

Article

What we've been thinking: Most wealth managers have speculated that Big Tech firms will pose a significant competitive threat to incumbent wealth managers, yet recent events suggest they're much more likely to present partnership opportunities.

The supposed threat: Ninety-two percent of wealth managers fear Big Tech disruption, [per a Capco report](#) published last week. The idea is that heightened customer expectations for

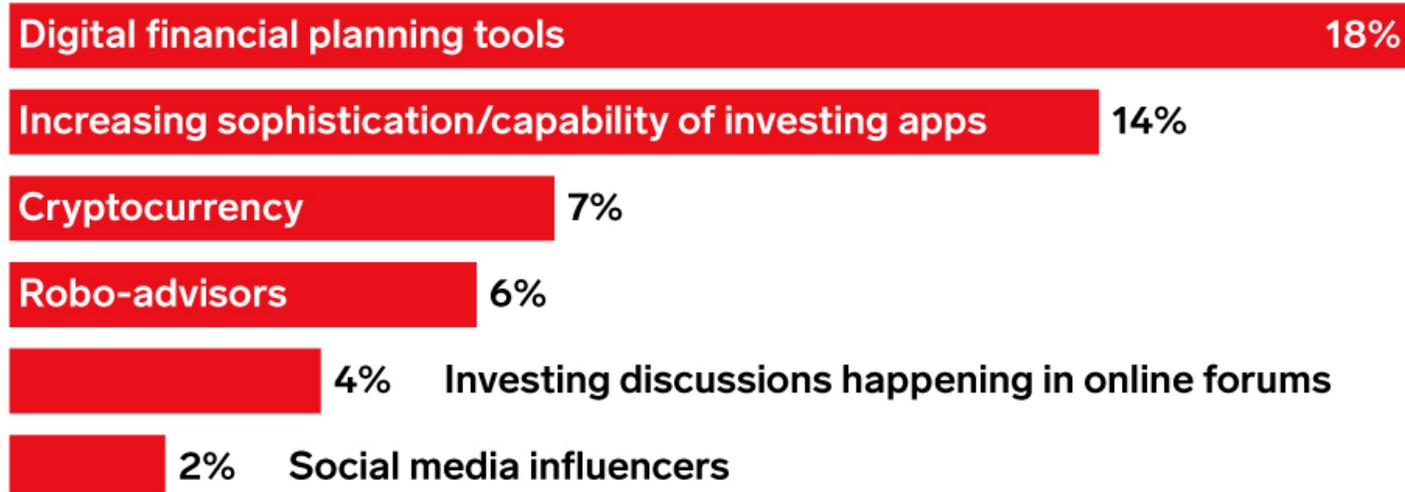
seamless digital services during the pandemic will push them to Big Tech platforms that can offer a one-stop shop for their financial needs. But the Capco survey actually took place in November 2020—and since then, Big Tech’s moves in wealth management suggest a different future.

What will happen instead: We expect Big Tech companies to support wealth managers’ digital transformation rather than launch competing offerings, but this poses a different kind of threat.

- Despite Big Tech firms’ massive budgets and global presence, disrupting financial firms is very challenging. Just last month, **Google** axed its proprietary bank accounts, Plex, and said it would focus on “delivering digital enablement for banks and other financial services providers, rather than us serving as the provider of these services.”
- Big Tech companies launching their own financial services conflicts with trying to sell their B2B solutions. Financial firms likely won’t want to partner with a platform that’s also launching a competing offering.
- It makes more sense for Big Tech to focus on supporting the sector’s digital transformation. Earlier this month, Google **invested \$1 billion** to help move the largest derivatives exchange in the world to its cloud infrastructure.
- That means the threat from Big Techs will actually lie in the nature of their partnerships, and wealth managers will need to weigh the pros and cons of different agreements.
- For example, managers could widen their distribution and customer reach by offering their services on Big Tech platforms, but this would mean surrendering their direct customer relationships. Alternatively, they could rely on their cloud infrastructure for faster client onboarding and improved data analytics—at the expense of falling short on their user interfaces.

What Do US Affluent Investors* Think Will Have the Biggest Impact on Investments?

% of respondents, June 2021



Note: n=284; in the next two years; *have investable assets of \$1 million or more
Source: Charles Schwab, "Charles Schwab Investing & Technology Survey 2021" conducted by Logica Research, Sep 28, 2021

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