

Bridging the Wealth Management Gap

Think

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1 Introduction

This report examines the early history of a new phenomenon – wealth management. It discusses whether it really is new, and how much of what we are seeing is a case of, “the emperor’s new clothes”. It explains why the phenomenon has become so important to financial services companies and what they are doing about it. Finally, and perhaps most importantly, it discusses the real changes that customers are expecting and should expect in the services, that they are being offered.

The feeding frenzy of financial services companies is evident, but consumer enthusiasm is not. This is, we believe, because of the restrictive definition of wealth management adopted by most of these suppliers, and the lack of clear benefit for the consumer.

In this report, we first define the idea of wealth management. We then review the well-trodden ground of the evidence of market size. We then discuss the concept of the family office, which is the nearest we have seen to comprehensive wealth management and go on to suggest what kind of company is likely to lead the wealth management market in the future.

2 Definition

A recent paper by one of the authors of this report, Professor Merlin Stone, explored the state of wealth management defined in terms of the management of discretionary and free financial assets i.e. those assets which a customer can set aside for longer term purposes.¹

The paper explored the extent to which customers were paying high charges for performance, which was no better than if they invested in a “lightly packaged” service. However, since that paper was written, our research indicates the need for a broader definition – the nature of which has been explored in depth in a recent IBM paper.² In the latter paper, we took a view that wealth includes a lot more than assets, and could even be extended to include current and predicted well being i.e. health, and the financial products, which underpin it.

¹ Merlin Stone, ‘How stealth charges destroy wealth’, Bristol Business School Research Paper, October 2000.

² Kevin La Croix and Merlin Stone, ‘Managing Wealth? Are you? Really?’, IBM Business Innovations Services, May 2001

3 The market

Every day in 2001, 1,265 new high net worth individuals and 3,340 new mass affluent individuals will be created in 10 European countries. Every hour in 2001, 53 new high net worth individuals will be created.

(Source: Datamonitor, April 2001)

In this climate of growing affluence, a combination of factors has increased the complexity of customers' affairs, making management of wealth more important than ever. These include the following:

- *More inherited wealth – trillions of dollars of wealth will be transferred between generations over the next few decades. In many cases, this is the first substantial, inter-generational transfer for the family*
- *Increasing disposable income*
- *Changing world of work (greater job mobility, more self employment etc)*
- *An aging population – by 2030, 25% of Europe's population will be more than 65 years old*
- *Changing gender roles, with women playing a much more active role in long-term finance*
- *The changing structure and roles of households and families. Divorce rates remain high and women are having children later, extending the period for which households have to maintain high incomes*
- *Wealth increasingly concentrated among upper-middle class – money begets money*
- *Consumer behaviour becoming more complex and less homogenous. Customers have become more demanding, more sophisticated, less trusting, keener to manage their affairs themselves, less loyal, more interested in wealth and how they should be managing it*

- *Lower interest rates and inflation have made it harder for individuals to fund their retirement by buying property on a mortgage – they now need to get a real return on investments*
- *The government has promoted the introduction of a range of more complex, tax-efficient savings products*
- *State provision being replaced by self-provision, with particular emphasis on retirement planning. The already complex regulatory environment is due to change. The current polarisation rules, which dictate that regulated product sellers must be either 'tied' (selling only their own products) or 'independent' (selling the products of any provider) are being reassessed. A new category of 'multi-tied' providers may emerge.*

As the complexity increases, wealth continues to be created in the economy, and the market opportunity is still growing rapidly, driven by market performance and GDP growth, increased share ownership, employee stock options, and inter-generational wealth transfer.

Globally, an estimated 7.2 million people hold over \$1 million in financial assets, totalling approximately \$27 trillion. By 2003, 25 million investors are expected to manage \$1.9 trillion online, generating approximately \$20 billion in industry revenue. Few organisations have been able to ignore the scale of this opportunity and a huge number have turned their attention to the wealth management market.

4 The response of suppliers

Many different types of financial institution are trying to capitalise on the opportunity by stretching their offerings and capabilities.

There are examples in all the categories shown in Figure 1 of organisations trying to adapt their current business models, existing brands and offerings to capture the wealth management market. The result has been a lot of 'noise' in this wealth management space and confusion over what wealth management really means.

There has also been much neglect of the fundamental management principles, which many financial services companies are still getting to grips with:

- *Targeting the right customers*
- *Understanding real customer needs*
- *Developing the right tools and capabilities.*

4.1 Wealth management market map

Figure 1 shows two key dimensions of the wealth management market – customer behaviour i.e. need for depth or quality of advisory service and amount of customer wealth that these services are targeted at.

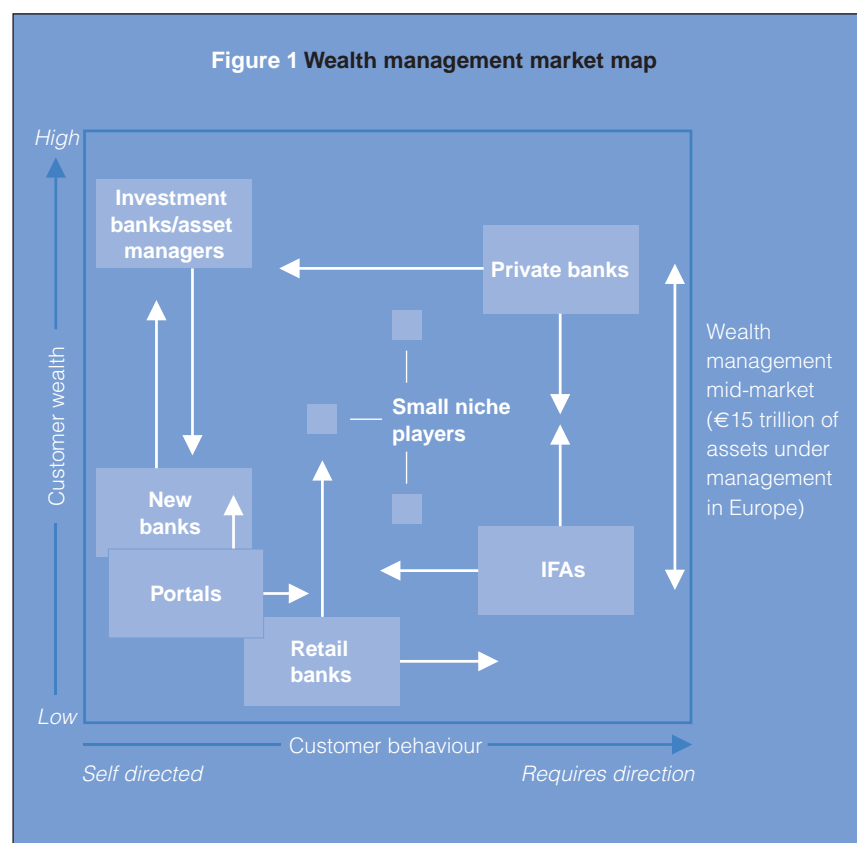
Those in the top right corner are institutions that deal fully with the very wealthy – the private banks, such as Crédit Suisse and SG Hambros. They are starting to target the next layer down of the wealthy (the affluent), but because of the high costs of their advisory services, they are also having to strip down these services to achieve cost levels that their new target customers can afford and that are economically viable.

In the top left hand corner are the investment banks and asset managers companies such as Goldman Sachs, Merrill Lynch HSBC, and JP Morgan Chase. They too are seeking to broaden their base, but have realised that in order to help the new wealthy manage their assets properly, they have to offer advisory services. Their problem is similar to that of the private banks – how to offer these advisory services cost-effectively.

At the bottom right are IFAs, ranging from the one-man band to companies such as Hargreaves Lansdowne. Responsible for the wealth of very large numbers of mid-worth individuals, they are under threat from all the other institutions, partly because of the commissions they receive for their work, which consists largely of configuring highly complex products to simple needs (see earlier report).

They evolved largely to cope with the complexity of the market, created by past regulation about what is possible, poor regulation in the area of clarity over charges and an over-complex industry structure. However, they are starting to respond by putting greater focus on efficiency and by becoming tougher with their suppliers. Mergers have also increased their average size, facilitating this application of pressure.

At the bottom left of the diagram are the new entrants (e.g. Egg, Virgin, iii.co.uk). Using direct marketing and Web technology, they are aiming to capture more of the assets of the wealthy through efficiency.



Just to the right of these are the traditional retail banks (e.g. Barclays, Lloyds TSB), which are trying to spread their influence in all directions (though some of them also own companies that work elsewhere in the diagram).

Somewhere in the central space are niche players, such as Close Wealth Management, who offer highly efficient discretionary services and which provide comprehensive advice and education upfront.

All of these players have been attracted to the wealth management market by the financial opportunity they perceive there.

4.2 The economics of wealth management

The key driver for organisations moving into the wealth management market has been the attractive economics illustrated in Table 1 by the return on equity achieved by different types of organisation.

Table 1

	Average ROE
Private Bank	87%
European Universal Bank	22%
UK Retail	30%
US Commercial	29%

(Source: Morgan Stanley Dean Witter – Private Banking in the 21st Century)

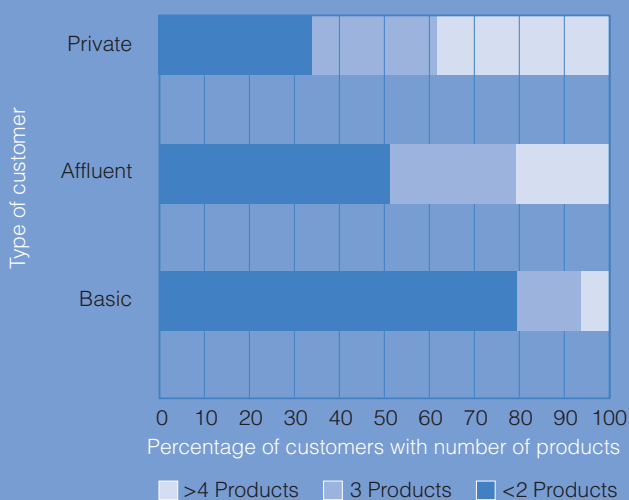
There are a number of reasons why a retail bank would want to move into the wealth management market:

- *It's big – total assets under management of \$27 trillion in 2000 and expectations of \$40 trillion in 2005. Revenues represent about \$100 billion p.a.*
- *It's growing – 10% CAGR for whole market, with even faster growth in the onshore European market – 12%*
- *It's profitable (see ROE figures in Table 1) – very high returns compared to other markets, driven by low regulatory capital requirements and annuity-based commission income*
- *It's fragmented – the top five private banks in the world hold about 5% market share between them (UBS, Crédit Suisse, Merrill Lynch, Deutsche Bank, JP Morgan Chase, CitiGroup)*
- *It's low risk – private banks carry few assets, so little asset risk. Most risk is operational.*

The JP Morgan data in Figure 2 appears to demonstrate that the need for products grows with wealth:

- *About 40% of private clients hold four or more products, compared to 6% of basic (retail) clients*
- *Private clients are typically 22 times more profitable than basic clients*
- *A private client with four or more products will generate profit of approximately € 868 p.a., compared to € 162 p.a. for two or less products.*

Figure 2 Product holdings for different types of customer



Source: JP Morgan – Online Finance Europe-Invasion of the Customer Snatchers – September 2000

Unfortunately organisations have responded to this by throwing more products at the wealthier customer, seeing the opportunity for cross selling. This misses the key fact that as they get wealthier, the complexity of customers' lives also increases and they need more help.

It is these economics that seem to have motivated all of the competitive moves demonstrated in Figure 1, not customer needs.

Different types of financial institutions had different expectations when entering the wealth management market. Most of the institutions expected to leverage their existing capabilities and customer base in order to gain market share and grow profits. In addition, external factors, such as shrinking margins and increasing competition have pushed financial institutions in the directions shown in the wealth market map in Figure 1. However, noticeably absent from the list of drivers and expectations, is any mention of customer needs. This is because of the different views of wealth management held by financial institutions and by the customer.

5 The wealth management gap

Organisations define wealth management as a very wide range of products (see Table 2 below), all broadly in the area of advice, relationship management or financial planning, rather than a comprehensive service for customers. Relationship management tends to be fragmented and focused on one or other of the individual services.

This has become the traditional view of the wealth management market. No company has really created a truly comprehensive service, though some would claim to have done so. Instead, they have tried to create wealth management by adding services, which essentially help them to sell more products.

This means that there are two very different definitions of wealth management now in existence:

1. *Supply side* – providers push product based offering over multiple channels
2. *Demand side* – customers want someone to help them achieve their life goals.

The result is that there are a number of ways in which customer expectations are not being met, while other service characteristics are irritating and frustrating to some customers. Many customers are simply confused.

Most suppliers seem to define wealth management as clustering products around generic financial needs and pushing these through different channels – mainly the Internet. This leads to customer dissatisfaction.

Customers are:

- *Frustrated by having to re-establish themselves for each product business, e.g. providing the same personal details to different parts of the same organisation*
- *Frustrated with low levels of resident knowledge in traditional channels, where advice can be poor or inappropriate*
- *Tired of constant changes in advisors and providers, which makes it difficult to establish a long-term relationship*
- *Very sceptical of promises – high quality service cannot be sold; it must be demonstrated*
- *Wary of poor advice, bad investment performance, high charges, lack of transparency etc.*

The definition of wealth management that customers have on the other hand, revolves around, “making the right decisions about my life, my finances”. They:

- *Want to be recognised as valued customers*
- *Believe they have more sophisticated needs than their providers recognise*
- *Want empowerment, help, information, suggestions and attention*
- *Prefer to make their own decisions, but need help understanding how different solutions might affect them individually.*

Customers are crying out for someone to get wealth management right, and if a provider can, the benefits to them will be large, simply because of the volume of business that will be available, and the marketing and service economies. Customer needs are rarely met at the moment, hence the emergence of the Wealth Management Gap, where the greatest opportunity now lies.

Table 2

Banking	Current account, money transmission, bill payment
Brokerage	Research, advice, trading, settlement
Lending	Mortgages, credit cards, loans
Personal trust	Estate asset management, trusts, foundations, charities, agencies
Mutual funds	Research, trading, settlement, valuation, recordkeeping
Investment management	Research, advice, trading, settlement, management
Tax	Personal finances, offshore, tax advice, tax preparation, wrappers
Life and pension	Life, home, travel, health, retirement

6 Looking more closely at customer needs

For the customer, wealth management is not about buying financial products. It is about meeting their emotional, lifestyle needs. The range of these needs is illustrated in Table 3 below.

Customers have a personal mission statement (although many have not identified/defined it), which reflects their emotional needs, such as, “I want to retire at fifty and live my life to the full”. Table 3 attempts to provide a blueprint of all the major emotional needs. Our hypothesis is that these emotional needs do not vary with wealth level, although the ways of satisfying them might.

Different people may have different priorities, but basically all human beings have the same emotional needs, around which the key life events and goals can be grouped. This is a perspective that, almost without exception, organisations have not recognised in designing their wealth management offerings.

Table 3

Customer's mission statement					
Emotional needs	Secure my future Reduce my risks	Give me peace of mind	Help me enjoy life, achieve my aspirations	Simplify my life	Save me time
Needs	Retirement	Job loss	Cars	Transport	Transport
	Birth/adoption	Property loss	Charity	Shopping	Shopping
	Business start-up	Death	Birth/adoption	Vacations	Business start-up
	Child care	Birth/adoption	Wedding	Home	Home
	Divorce, separation	Home	Furniture/consumer goods		Child care
	University education	Illness	Family celebrations		
			Sports, hobbies		
			Arts/entertainment		
			Luxury goods		
			Vacation		

7 The family office

So far, we have only encountered one business concept, which does recognise the full range of wealth management needs as described above – the family office. This is a single entity that provides advice/oversight/aggregation over a full range of all financial assets and liabilities, regardless of the product provider.

The sorts of services routinely provided by a family office include:

Asset enhancement services/ strategic advisory, for example:

- *Ownership*
- *Structure*
- *Wealth/estate transfer planning*
- *Investment policy*
- *Trusteeship*
- *Asset allocation*
- *Philanthropy*
- *Financial education.*

Risk management and cost control services/compliance and overseeing, for example:

- *Customised financial reporting*
- *Investment manager research
and selection*
- *Investment performance monitoring*
- *Trust accounting and reporting*
- *Tax planning and compliance*
- *Cash flow management*
- *Budgeting and financial planning*
- *Custody oversight and
securities settlement*
- *Insurance coverage and claims*
- *Charitable foundation administration.*

Convenience services/ personal service, for example:

- *Bill payment*
- *Travel planning*
- *Administrative support*
- *Property management*
- *Domestic service management.*

(Source: Family Office Exchange)

The strength of this model lies in the range of services that it can provide – an aggregation capability, third-party sourcing and advisory role.

The model is completely customer-focused – i.e. actually designed by the customer for the customer. Most financial services organisations would claim that they are customer-focused, but how many have actually been designed by their customers?

The family office concept is entirely relationship-based and as a consequence, the costs associated with delivering this type of service are high. However, we believe that through using technology, the concept of the family office can be applied to the lower end of the market.

Because they are created by the customer, family offices are focused on translating customer needs into exactly those value elements, which reflect the added value sought by customers and they build the capabilities they need to provide this value.

8 The “wealth management loop”

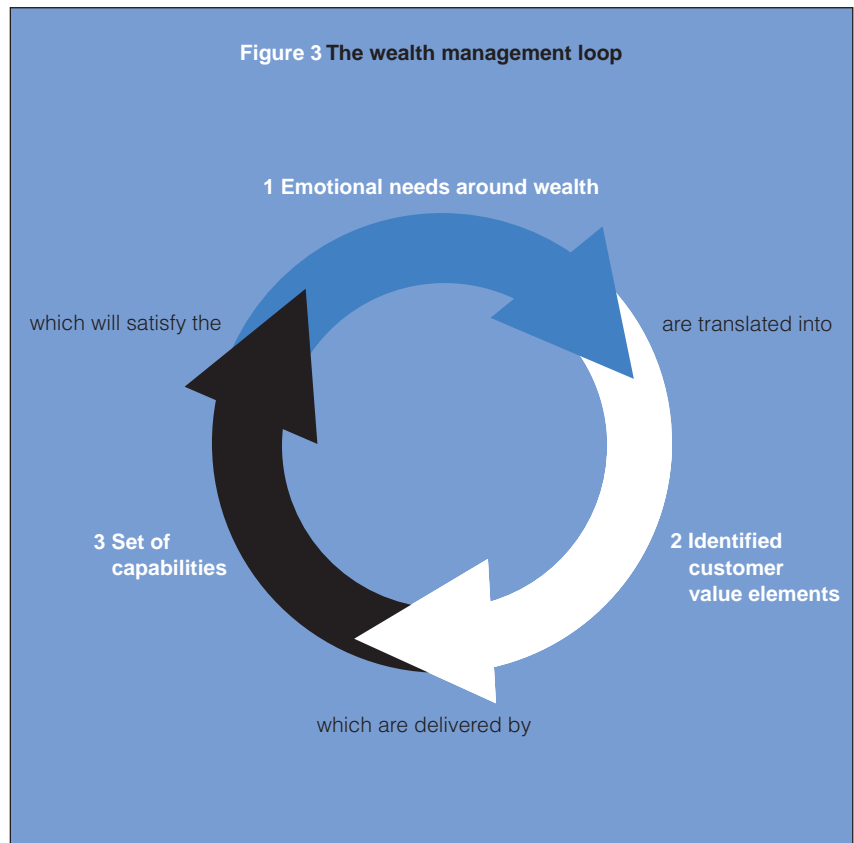
This process of translating a customer’s emotional needs into value elements (which are then delivered by a series of capabilities, which, in turn, satisfy the emotional needs) is encapsulated in the model illustrated in Figure 3. This shows how each of these elements are related to each other and are part of an iterative process.

This model reflects the notion that:

- a) wealth management is about more than just financial services, and
- b) for that reason, existing financial services organisations cannot just stretch their current business models – they need to understand what customers want and develop organisational capabilities accordingly.

To illustrate the range of a customer’s emotional needs, consider the following scenario:

Oliver is 35, married with two children, aged 8 and 10. He is a lawyer in Leeds and has just got a new job with a large London law firm, which means uprooting his family and moving to London. The job is a big step up for him, with a large salary increase that will enable him to buy a bigger house. His needs go far beyond a bigger mortgage though. As his wife also works, time for organising the move is at a premium, and neither can afford the time for frequent trips south to house hunt. What they really need is someone to go through the vast number of house details that they are bombarded with by unscrupulous estate



agents, and provide them with a short list that actually reflects what they are looking for, (Emotional need: *save me time* – value elements: *non-financial needs, prompt service, convenience, one stop shop*. Emotional need: *secure my future* – value elements: *lifestyle needs, a home*), and then to arrange visits over one weekend. They also need a trusted advisor to examine their financial situation and honestly advise them on how big a mortgage they can afford to take on, bearing in mind the higher cost of living in London. (Emotional need: *give me peace of mind* – value elements: *trust and integrity, de-mystified guidance*. *Secure my future/reduce my risks* – *long term relationship, lifestyle needs, life stage needs, financial planning, a home*. *Help me enjoy my life/achieve my aspirations*

– *flexible options, financial planning*). Once the size of the mortgage is decided, they need to decide on the best mortgage product and how to increase their life cover. (*Give me peace of mind* – *best of breed products, transparency of charges, de-mystified guidance*. *Save me time* – *convenience, one-stop shop*. *Secure my future/reduce my risks* – *financial planning, security, tailored products*).

Once they find a suitable property, they need someone to handle the purchase process (conveyancing, including dealing with the estate agent, arranging the new mortgage, finalising dates, booking the removal company, arranging for utilities to be connected, insurance etc.) as well as organising the sale of the property in Leeds. (*Save me time* –

convenience, non-financial needs, one stop shop, prompt service. Simplify my life – long-term relationship, simple administration, banking services, product aggregators. Give me peace of mind – choice of suppliers, trust and integrity, best of breed products, emergency and disaster planning. Help me enjoy my life – performance and value for money, non-financial needs, flexible options. Secure my future/reduce my risks – security, tailored products, lifestyle needs).

To deliver a full wealth management service successfully, financial institutions must possess all the capabilities needed to address the full range of customer value elements. There are many examples today of organisations not possessing the right capabilities, which illustrate the likely consequences for the customer:

(i) Many financial institutions do not possess a 'consolidated view of the customer' capability. This means that because they are organised into product 'silos' (e.g. insurance division, mortgage company), every time a customer buys a new product, they have to deal with a different part of the organisation.

If the customer buys an insurance product, the insurance division does not have access to the customer data held by other areas of the bank and the account opening process is effectively repeated. No one in the bank has a complete view of the customer's affairs.

(ii) Looking at relationship management, if a financial institution

cannot provide a long-term, trusted advisor-type relationship (with a human being!), trust is not built up with the customer and he or she will use other trusted advisors (including non-financial), or multiple product providers. In addition, the commission-based relationship damages trust.

However, if an organisation is to successfully meet all the emotional needs of the wealth management customer, there is a very comprehensive range of capabilities that are required.

9 *Essential wealth management capabilities*

The family office model is built upon just such a range of capabilities.

Appendix 1 provides an overview of the full range of capabilities required to meet the emotional needs blueprint already described (in Table 3).

At first glance, many organisations that currently offer wealth management services would argue that they do have such capabilities – for instance, a relationship management capability. However, when these are measured against the benchmark of the family office, they fall a long way short. Appendix 2 provides an analysis of some current wealth management players' capabilities.

This analysis can then be extended by taking three of the most important capabilities for wealth management – relationship management, a consolidated view of the customer and true asset management – and identifying the key characteristics associated with them. These are perhaps three of the most common weaknesses identifiable in existing wealth management propositions.

Critically, it is not good enough to have some of these capabilities – they all work together. So, for example, you cannot provide really good relationship management if your relationship manager hasn't got a complete view of all the customer's affairs. In addition, you cannot be a true wealth manager unless you have the resources to manage ALL of a customer's assets.

To do that, the customer must trust his relationship manager, who must have a consolidated view, etc.

Appendix 3 identifies these key characteristics and provides examples of providers whose current service displays the characteristic, if not the full capability.

This illustrates the complexity and sophistication required to meet the complete range of a customer's needs, as well as illustrating why it is not possible to leverage existing financial services capabilities.

Clearly, wealth management is a complex business, which demands a broader view of customer needs.

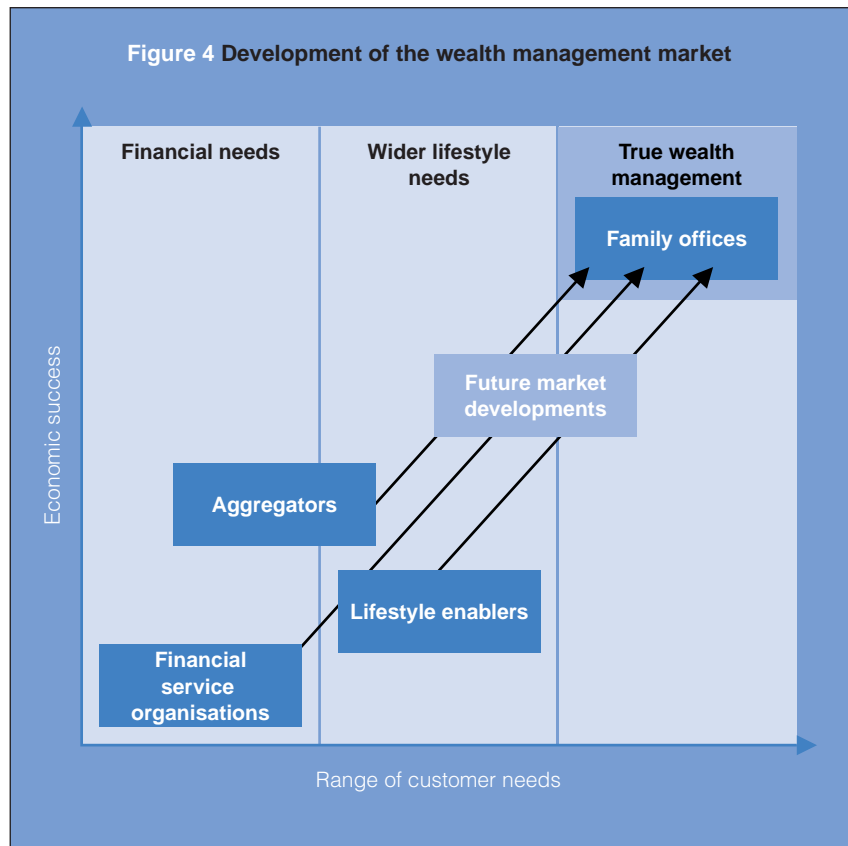
To achieve the holy grail of ‘true’ wealth management, financial service organisations must develop new capabilities to meet the challenge of addressing the broader needs of their customers and to go further than just pushing products.

As Figure 4 illustrates, the family office model represents an ideal, equating to ‘true’ wealth management. In between that ideal and the proliferation of financial services players in the wealth management market, are two types of intermediate player who are well positioned to develop towards ‘true’ wealth management. These organisations are more closely aligned with customers’ emotional needs than the financial services organisations in the bottom left corner, which will require the most transformation before they can hope to succeed. These players present a new competitive threat. They have recognised that customers buy to satisfy their emotional needs, such as ‘Save me time’ and ‘Simplify my life’.

10.1 Lifestyle managers

Like family offices, the lifestyle manager focuses on the lifestyle needs of the customer, not on selling products. They are becoming increasingly popular in the UK and directly address the needs of the customer OUTSIDE financial services. They promote their services with statements such as:

- “We will do anything the customer wants, as long as it is legal”
- “Managing our member’s lives... by building personal relationships based on trust”
- “Bringing balance to your life”.



These organisations offer what is essentially an extension of the concierge service, which has proved very successful in the United States. They claim to go beyond concierge services, by providing a dedicated relationship manager and building up a trusted relationship, with only 20-25 clients per manager. For an annual fee of between £1,200 and £1,500 they will help ‘rebalance your life’ by taking care of all those things that you don’t have time to do (they’ll find you a plumber and then wait in to supervise the work; they’ll get you theatre tickets; they’ll manage your rental property; they’ll book you a holiday; they’ll find you a dog psychologist!). Their charging policy is totally transparent, helping build a trusted image.

Other key features include:

- They deliver value for money, because their database of researched suppliers will never charge more than market rate
- The customer decides what services to use, and how much they want to trust the organisation
- The limitation is that they don’t provide an advisory service. They will find an advisor, but will not provide advice. This is the key difference from wealth management services
- They are completely independent and source third-party products and services – unlike many financial organisations. Their incentive is to retain the customer year on year. (Some companies have a tiered pricing structure, so that as customers trust the company more and use it more, they pay more). They are therefore only as good as the suppliers that they provide and so have a vested-

interest in identifying and managing good suppliers, something relatively rare in the financial world (although there are instances: IFAs, fund of funds).

Appendix 4 shows how it is that lifestyle managers meet many of the emotional needs that fall outside the traditional wealth space and the capabilities they demonstrate to support the customer value elements.

There are several key differences between the services of lifestyle managers and financial services organisations:

- *Few financial service organisations can demonstrate the sort of independence required to truly save customers time. Very few people would take a first opinion from any financial services organisation, without shopping around to check that they were getting the best price/performance/features etc.*
- *If you compare the capabilities of the two types of provider, they appear to be very similar, BUT few banks offer ratios like 25 customers: 1 relationship manager (even private banks rarely achieve less than 75:1. Family offices are more like 5:1); few financial services organisations offer advice that is not linked to a product sale/commission; because lifestyle managers operate on a fee basis, they have a stake in the recommendations they are giving.*

This unique combination of capabilities, and the fact that they are not bound by selling products, means that the service lifestyle managers provide covers a much wider range of customer emotional needs.

10.2 Product and account aggregators

Product and account aggregators are another type of new competitor specifically addressing the customer's need for saving time and simplifying their lives. Product aggregation involves providing different products from different suppliers to clients. For example, from *zisto.com* a client can trade shares through an E*Trade or TD Waterhouse brokerage account, without leaving the *zisto.com* site. Account aggregation, which is particularly popular in US and Australia, saves the customer time by removing the need for multiple log-ons to different sites, using different user-ids and passwords. Currently the only example of this in the UK is AccountUnity, but US players such as Yodlee, Kinexus, Corillian and CashEdge are actively looking to enter the UK market.

Table 4 below summarises the customer value elements and capabilities of account and product aggregators.

Product and account aggregation is still a very new concept in the UK market. Whilst there is clearly a demand for it, many of the issues presented by it have yet to be completely resolved, particularly in the technical, legal and regulatory areas.

Table 4

Emotional needs	Simplify my life, save me time
Value proposition	Consolidation of information from multiple online accounts on a single screen with one password
Value elements	Convenience, product aggregation, trust and integrity, speed and ease of access to information
Capabilities	Security, alliances and integration with service providers

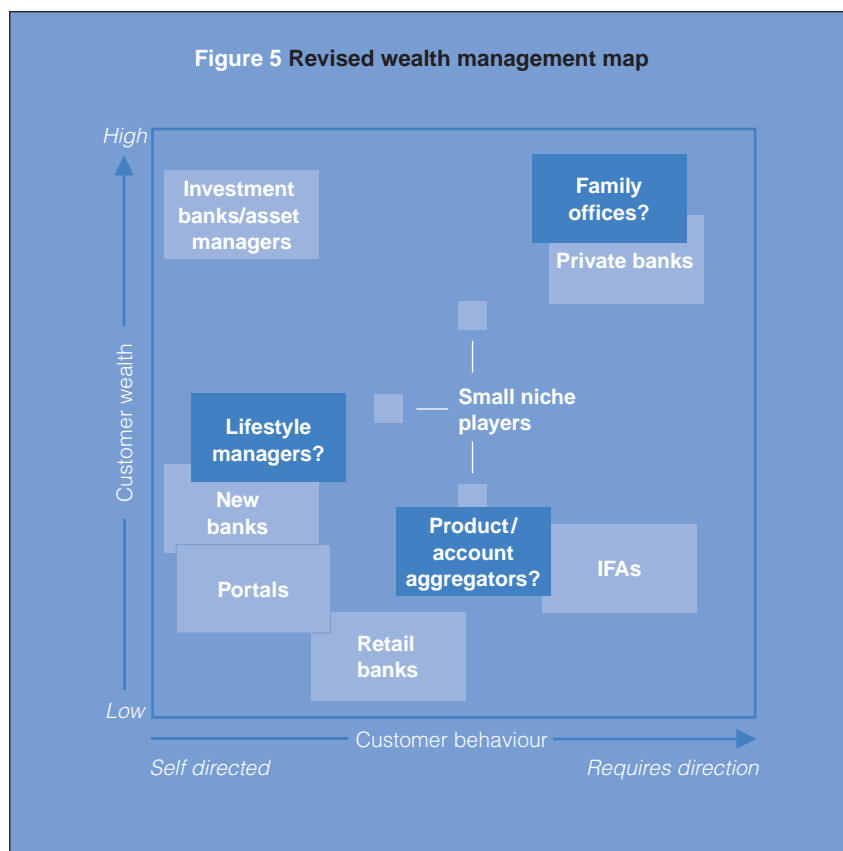
10.3 The revised wealth management market map

These new competitors are well positioned to successfully fill the gaps in the market left by financial service offerings not focused on customer needs.

Figure 5 shows where these three types of new competitors will fit into the market.

Family offices are common in the US, and a relatively new concept in Europe (though many of the major European players – particularly private banks – have recently developed, or are in the process of developing their own family offices). They serve ultra high net worth families, managing their wealth and the extended needs of their family. Generally they only serve families with in excess of \$25 million, hence their position in the top right hand corner.

Lifestyle managers target self-directed people. These people usually know what they want, but lack the time, or the interest, and would rather delegate as much as possible to other people, without losing control over key decisions.



Companies like Tenuk (www.tenuk.com), Entrust (www.entrust-net.com), Liberate (www.liberate365.com) do not have any advisory services, but can locate advisors, if required. They are located towards the upper left because the average annual fee is between £1,200 and £1,500 which is a significant outlay for most people, for the luxury of delegating everyday tasks.

Product and account aggregators are positioned lower down the affluent scale, as they do not charge for their services. These companies both serve the “self directed” and “requires direction”, as some of them offer advisory services.

The advent of these new competitors signals a challenging future for those financial services organisations that wish to capture a slice of the market.

11 The future of wealth management?

To achieve the holy grail of true wealth management, there are a number of guiding principles that financial services organisations must embrace. “True wealth managers” will:

- *Be those organisations that can break out of the mould of just selling their own financial products*
- *Fulfil the position of trusted adviser by taking a complete view of the customer's affairs and advising them honestly and independently on all their assets and liabilities*
- *Help manage a customer's risks*
- *Get to grips with the idea of customer emotional needs*
- *Develop the capabilities to serve those needs*
- *Look at the family office model and find ways of making it economic for the affluent market*
- *Take the best of the models discussed here and achieve the economics of a private bank, BUT not be driven by this alone.*

12 Conclusion

The wealth management opportunity is still very much in evidence, but it appears that most organisations targeting the market are failing to capture it. This is because no single organisation has managed to bridge the gap between its own product-based view of wealth management and customers' lifestyle needs-based view. New competitors are entering the market and displaying the capabilities that financial service organisations are lacking and the astute financial service provider will learn from the strengths of these new entrants and build their own offerings into the “true wealth management” service that customers are seeking.

Organisational capabilities needed to meet customers' emotional needs

Value element	Capabilities	How capability helps in		
		Simplification	Enjoying life	Saving time
Convenience				
	Empowered staff	Fewer handoffs		Shorter transaction time
	Physical presence	Easy face-to-face access		Easy face-to-face access
	Proactive service		Range of needs	Anticipation of needs
	Flexible robust processes			Fewer errors
	Contact management	Easy access to right people		No need to repeat request
Complete delegation of assets and liabilities				
	Relationship management	Trust, long-term relationship	Better understanding, good customer care	Act as integrator
	Contact management	Easy access to right people		No need to repeat request
	Independent experts		Range of needs	Quality advice
	Trained staff	Better understanding		Shorter transaction time
	Interpersonal skills		Better understanding	
	True asset management		More time spent on personal things	
Product aggregation				
	Access to customer data	Quicker service	Access all information in one place, single password	No need to use different providers
	Third party alliances and sourcing		Broader range of providers, more options	No need to shop around
	Secure and safe infrastructure		Increased customer confidence	
	Cross-border agreements	No need to deal with different providers	Range of needs	No need to use different providers
	Capture customer data	Viewing the whole customer picture		Shorter transaction time
	Consolidated customer view	Viewing the whole customer picture	Includes non-financial, lifestyle products	Shorter transaction time
Non-financial needs				
	Contact management	Easy access to right people		No need to repeat request
	Third party alliances and sourcing		Broader range of providers, more options	No need to shop around
	Flexible robust processes			Fewer errors
	Capture customer data	Viewing the whole customer picture		Shorter transaction time

Organisational capabilities currently displayed by different types of financial institution								
Value element	Capabilities	Whether players have it?						
		Retail banks	Insurers	IFAs	Investment banks	Private banks	Portals	Niche players
Convenience								
	Empowered staff	L	L	H	M	H	L	L
	Physical presence	H	H	M	M	M	M	M
	Proactive service	L	L	M	M	H	L	H
	Flexible robust processes	M	M	M	M	M	M	M
	Contact management	L	L	L	M	M	L	L
Complete delegation of assets and liabilities								
	Relationship management	L	L	M	M	H	L	H
	Contact management	L	L	L	M	M	L	L
	Independent experts	M	M	H	M	M	M	M
	Trained staff	M	M	M	H	M	M	H
	Interpersonal skills	L	L	H	M	H	L	H
	True asset management	L	L	M	M	M	M	M
Product aggregation								
	Access to customer data	M	M	M	M	M	M	M
	Third party alliances and sourcing	L	L	L	M	M	M	M
	Secure and safe infrastructure	M	M	M	M	M	M	M
	Cross border agreements	M	M	L	M	H	L	M
	Capture customer data	M	M	M	M	M	M	M
	Consolidated customer view	L	L	L	L	L	L	L
Non-financial needs								
	Contact management	L	L	L	M	M	L	L
	Third party alliances and sourcing	L	L	L	M	M	M	M
	Flexible robust processes	M	M	M	M	M	M	M
	Capture customer data	M	M	M	M	M	M	M
	Proactive service	L	L	M	M	H	L	H

Key	H	Full capability	They have it and it is good
	M	Medium capability	They have it but it is not good enough
	L	Weak capability	They either have it but it is very weak or they do not have it

Key characteristics associated with organisational capabilities and examples of players that display them

Key capabilities	Relationship management	Successful example	Consolidated customer view	Successful example	True asset management	Successful example
Key Characteristics of Capabilities	<i>Acts as integrator</i>	Yodlee, Kinexus, Zisto, AccountUnity, Cymric, Pictet Family Office	<i>Single customer database</i>	Charles Schwab, JP Morgan Chase	<i>Management of full range of all financial assets and liabilities</i>	Pictet, Bessemer, UBS, Merrill Lynch, Cymric
	<i>Long-term relationship</i>	Cymric Family Office, Pictet, UBS, Crédit Suisse	<i>Channel integration</i>	Charles Schwab, JP Morgan Chase	<i>Consolidation and management, regardless of provider</i>	mycfo.com, Cymric
	<i>Advice not commission linked</i>	Adviceonline.co.uk, Close Wealth Management	<i>Contact management</i>	First Direct	<i>Non-financial asset management (art, property, antiques, wine etc.)</i>	UBS, Pictet Family Office, Bank of Bermuda
	<i>Advisor has stake in advice</i>	Tenuk, Pictet Family Office	<i>Access to third party information</i>	Yodlee, Kinexus, Zisto	<i>Third party product sourcing (best in breed)</i>	Funds supermarkets, Coutts, Bank of Bermuda
	<i>Generates trust</i>	Pictet Family Office, Bessemer Trust, UBS, Crédit Suisse	<i>Aggregation</i>	Yodlee, Kinexus, Zisto, AccountUnity	<i>Wide range of market/product information</i>	Merrill Lynch, iii.co.uk,
	<i>Transparency</i>	Tenuk, Cymric, Pictet, Bessemer, UBS, Close Wealth Management	<i>Robust, integrated platform and infrastructure</i>	First Direct	<i>Performance management and measurement</i>	Pictet, Merrill Lynch, Bessemer, Close Wealth Management
	<i>Advice reflects personal circumstances</i>	Pictet, Bessemer, UBS, Merrill Lynch, Cymric, Close Wealth Management	<i>Availability of data is key to consultative relationship</i>	Yodlee/Corillian	<i>Processes for managing external managers</i>	Bank of Bermuda, Inscape, Coutts
	<i>Understands individual's needs</i>	Pictet, Crédit Suisse, Bessemer, Close Wealth Management				
	<i>Willing to educate individual</i>	Charles Schwab, Cymric, Crédit Suisse, Close Wealth Management				
	<i>Has a track record or backed by strong brand</i>	Merrill Lynch, UBS, JP Morgan Chase				
<i>Proactivity</i>	Pictet, Bessemer, UBS, Merrill Lynch, Cymric					

How Lifestyle Managers meet the emotional needs of customers and the associated capabilities

Emotions	Value elements	Capabilities
Simplify my life	Convenience Simple administration One-stop shop Product aggregators Long-term relationship	Relationship management Third-party sourcing Interpersonal skills Consolidated view of customer Capture and access customer data
Save me time	Convenience One-stop shop Non-financial needs	Proactive service Third-party sourcing Interpersonal skills Consolidated view of customer
Help me enjoy my life	Lifestyle needs Non-financial needs Performance and value for money	Proactive service Interpersonal skills Capture and access customer data
Give me peace of mind	Trust and integrity Performance and value for money Best of breed products Choice of suppliers	Relationship management Third-party sourcing Interpersonal skills
Secure my future/reduce my risks	Lifestyle needs Long-term relationship	Relationship management Proactive service Interpersonal skills Capture and access customer data

Tamsin Brew

Tamsin Brew is a consultant in the IBM Global Services' Wealth Management practice. She works mainly on financial services projects for companies in the UK and Europe, helping them to develop their wealth management offerings. Her recent work has included designing clearly differentiated customer offerings to provide target customers with wealth management products and services in a multi-channel environment.

Prior to joining IBM, Tamsin spent her career in the financial services industry, working for the Coutts Group, the private banking arm of the Royal Bank of Scotland Group. She has in-depth knowledge of wealth management, particularly private banking and the highly competitive market for affluent personal financial services.

Rohitha Perera

Rohitha Perera leads the IBM Global Services' Wealth Management practice, working with clients within the financial services sector worldwide.

Rohitha has worked with many of Europe's leading asset managers, retail banks and insurance companies to define and develop their wealth management and personal financial services programmes. Rohitha and his team have been particularly effective in instilling customer-focused design principles into the implementation of business and technical architectures.

Rohitha works with IBM teams and client groups, comprising marketing, operations and technical staff, in order to deploy the IBM wealth offering within the organisations. The scope of his engagements cover business strategy, operations and IT architecture design, in addition to technical implementation.

Before moving into financial services, Rohitha worked as a programme manager on major infrastructure development programmes in the UK and China. These experiences have provided fascinating insights into business development and the rapid delivery of complex programmes.

He has a first class honours degree and an MBA.

Professor Merlin Stone

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His consulting experience covers many sectors, including financial services, utilities, telecommunications, travel and transport, retailing, automotive, energy and IT. His research is published in a series of IBM-sponsored briefings, *Close to the Customer*, published by Policy Publications. He is the author of many articles and eighteen books on marketing and customer service. The latest books are *Up Close & Personal*, *CRM @ Work* and *Customer Relationship Marketing* – both the latter two sponsored by IBM. Merlin is one of the authors of QCi's report on the first two years of using CMAT, *The Customer Management Scorecard*, published by Business Intelligence and sponsored by IBM and the Royal Mail.

He co-ordinates the IBM-sponsored Customer Management Group, a club of large customer database users, services suppliers and academics interested in this area. He is a founder member of the Institute of Direct Marketing. He is a Fellow of the Chartered Institute of Marketing and on the editorial advisory boards of the *Journal of Financial Services Marketing*, the *Journal of Database Marketing*, the *Journal of Targeting, Measurement and Analysis for Marketing*, the *Journal of Interactive Marketing* (the journal of the Institute of Direct Marketing), and the *Journal of Selling & Major Account Management*.



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