THE NEW NORMAL: CODIFYING SUPERIOR CLIENT EXPERIENCE IN WEALTH MANAGEMENT

WealthBriefing

FOREWORD

The beginnings of this report can be traced back to a marked uptick in the number of client experience appointments crossing the editorial desk of *WealthBriefing* and its sister publications in recent times. While certainly not a new area of focus, the seniority of the executives being given oversight of client experience was taken as a powerful signal of just how seriously wealth managers are now taking the softer side of their propositions.

If, like James Edsberg of the consultancy Gulland Padfield, we define the client experience as "everything not related to the performance of financial products" then the enormity of the task facing client experience heads becomes apparent. Improving how their firm investigates its clients' wants and needs; ensuring that front-line staff are backed up with the right systems and processes; developing better ways to strategically leverage client feedback; and deciding where best to deploy resources are just a handful of the things which will likely come under their remit. While client experience may not be a discrete business area within most wealth management firms as yet, it is easy to foresee a time when it could be, such is the range of issues which come under its scope, not to mention its impact on the bottom line.

The title of this report, *The New Normal: Codifying Superior Client Experience In Wealth Management*, came about through conversations with Scorpio Partnership's Seb Dovey about the Futurewealth project's ultimate aim to calibrate and then codify the client experience. The title was chosen to reflect the fact that while client experience is quite a nebulous concept, it can be broken down and "measured" on the basis of key proof points. Furthermore, it is intended to highlight the need for practical, systematic moves to improve client experience over mere rhetoric.

While this report was produced in association with Barclays Wealth and Investment Management, it is the product of deep collaboration with senior executives at a selection of 30 wealth managers, consultancies and other pertinent organisations. The viewpoints presented here are therefore wide-ranging and at times at odds, but nonetheless many beliefs in common did still emerge. It would seem then that the industry is rapidly progressing towards a shared notion of what the wealth management client experience should "look like" and what firms should be doing to improve it. However, as the reader survey reveals, there seems to be a wide gap between what is considered to be best practice and current practice in at least some pockets of the industry. How quickly this gap closes will be very interesting indeed.

In essence, this report aims to gauge what wealth managers are currently doing to enhance the client experience they deliver, and to offer expert insights for future development. It is however very much only a starting point to what I hope will prove to be an evolving high-level debate across the industry, and - as ever - we at *WealthBriefing* would be delighted to hear your views. Please direct any comments to wendy.spires@wealthbriefing.com.

WENDY SPIRES

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EXECUTIVE SUMMARY

- 40 per cent of respondents reported that their firm has a dedicated client experience head (or a senior executive with this function as a formal part of their remit). Just over half (51 per cent) of firms do not have a client experience figurehead, while 9 per cent of respondents said that they did not know if there was one.
- Nearly three in five respondents (59 per cent) believe that clients predominantly want their wealth management institution to function as "a trusted advisor to help them make decisions on all their financial affairs". Meanwhile, a third (33 per cent) of those surveyed think that clients are looking for "a holistic facilitator for the life goals of them and their family, both financial and non-financial". Only 7 per cent believe that clients want their provider to be "an executor and coordinator for their financial affairs".
- Over half (54 per cent) of respondents believe that clients want their wealth management institution to provide "a totally bespoke, customised level of service". Meanwhile, 41 per cent think that clients expect "a broadly prescribed service package with bespoke add-ons" and 5 per cent believe that clients expect "a standardised service as prescribed by their segment/profile".
- 63 per cent of respondents report that their firm leaves it to relationship managers to "organically" gather information on clients' lifestyles and interests over time. Close to a third (27 per cent) of firms systematically research clients' lifestyles and interests, and then analyse this data. One in ten respondents said that their firm "takes little interest in clients' lifestyles and interests, except as they directly pertain to their finances".
- When it comes to creating brand loyalty and deepening relationships, over three quarters (76 per cent) of those surveyed believe that cultivating a deep understanding of clients' lifestyles and interests is "essential". Meanwhile, 23 per cent believe that this is "useful, but not essential". Just 1 per cent of respondents believe that developing a deep understanding of clients' lifestyles and interests is "of negligible impact".
- When it comes to segmentation, virtually all (96 per cent) firms take clients' current asset base into account, while potential wealth is considered by 78 per cent of institutions. Domicile and the level of internationality of clients' affairs is taken into account by 79 per cent of firms. Source of wealth, and profession/type of business if an entrepreneur are considered by 71 and 72 per cent of wealth managers respectively. Just over half (56 per cent) take the client's age into account, and the same proportion of firms consider familial circumstances. The client's gender is a factor at only around a third (35 per cent) of institutions.
- Just under half of those surveyed (49 per cent) said that during onboarding new clients only have those services which are deemed relevant to their segment or asset base explained/offered to them. At 38 per cent of firms new clients have all available services explained to them, while 13 per cent of firms only explain or offer those services which clients themselves (or their advisors) ask about.
- Once clients have been assigned to a "main" segment, this classification dictates which wealth management services are offered to that client for 78 per cent of firms. A client's main segment dictates which non-core, value-add services they are offered at 72 per cent of institutions. Meanwhile, 58 per cent of respondents report that segment dictates which educational events are offered, and 71 per cent say that the hospitality and networking events offered depends on a client's segment.
- When it comes to service proposition, 40 per cent of respondents described their firms approach as "proactive in developing new products and services to meet emerging needs". Meanwhile, 15 per cent said their firm is "very reactive, and adds products and services on demand (within reason)". Nearly a third (31 per cent) describe their institution as "somewhat reactive, taking account of emerging needs wherever possible". The remaining 13 per cent of respondents describe their firm as being "somewhat slow-moving in responding to changing client needs".
- In addition to "pure" wealth management services, just under half (48 per cent) of those surveyed said their firm focuses mainly on educating clients on broader wealth structuring and succession issues. Just over a third (34 per cent) of firms focus on educating clients about new investment themes and products. Enhancing clients' lifestyles through concierge services, and hospitality and networking events is a priority at 11 per cent of institutions, while providing value-adds like art advisory and philanthropy services is the main source of focus at just 7 per cent of firms.
- In terms of which value-add services respondents think clients appreciate the most, next generation programmes for their children came out on top with 37 per cent of the votes. In second place was educational events for clients themselves, as singled out by

33 per cent of those surveyed. Close to a fifth (19 per cent) of the sample believe that clients appreciate exclusive hospitality and networking events the most, while philanthropy/art advisory type services and concierge were the least favoured options, coming out with 7 and 5 per cent of the votes respectively.

- Over half (54 per cent) of respondents believe that, when compared to other HNW service providers, the "wealth management sector trails far behind on service quality". Meanwhile 38 per cent believe that the wealth management industry's service levels are "broadly similar". Only 8 per cent of respondents believe that the wealth management sector delivers better service.

- When asked which "soft-side" factor they think is the most important in delivering superior client service, 59 per cent of respondents chose "personal, long-standing relationships with the firm's staff". In second place, with 23 per cent of the votes, was "superior technology provision, including multi-platform engagement and mobile capabilities". "Providing education and guidance around wider financial/legal/business issues" was chosen by 16 per cent of respondents, while only 3 per cent said that "helping clients with their lifestyle broadly, such as by providing concierge services" was the most important factor in delivering superior client service.

- Just under half (47 per cent) of respondents report that their firm *does not* currently implement formal service level agreements with clients, detailing things like the frequency of contact they can expect, timings of reviews etc. Formal SLAs are currently in use at 39 per cent of institutions. A further 14 per cent of those surveyed said that they did not know.

- When it comes to giving clients "a voice", 37 per cent of respondents said their institution "makes *every* effort to make clients feel that their input counts and that their feedback effects change". Close to half (48 per cent) said their firm "makes *some* effort to make clients feel that their input counts and that their feedback effects change", while 15 per cent reported that "*little* effort" is made in this regard.

- When it comes to obtaining feedback from clients on service provision and experience, 40 per cent of firms regularly collate both qualitative and quantitative feedback from clients. 17 per cent of respondents said their institution regularly collates qualitative feedback from clients, while 7 per cent of the sample said their firm regularly collates quantitative feedback. Over a third (36 per cent) of firms do not regularly collate client feedback at all.

- At the firms which regularly collate qualitative client feedback, this is carried out by an independent third party at 26 per cent of firms. Feedback is obtained by senior management at 8 per cent of institutions, with "personnel unrelated to the client from within the firm" and "clients' own relationship managers/bankers" scoring roughly the same number of votes (9 and 10 per cent respectively). 22 per cent said their firm uses a combination of these capture mechanisms, while 26 per cent chose "non-applicable".

- At an institutional level, just under half (48 per cent) of respondents said that client feedback metrics are integral to their firm's own assessment of its performance and drive business strategy. 36 per cent of those surveyed said that client feedback is disseminated to staff and management, but isn't really used strategically, while 16 per cent reported that "little use appears to be made of client feedback" at their firm.

- At the banker/relationship manager level, nearly a third (28 per cent) of firms now use client feedback metrics as part of formal staff appraisals and the setting of discretionary compensation levels. At the majority (58 per cent) of institutions client feedback metrics are fed back to advisors to encourage best practice, but individual feedback is not mapped. 14 per cent of respondents said that client feedback is not relayed back to advisors at their firm.

- When clients either leave the institution or significantly reduce the assets they hold with it, only 14 per cent of firms carry out a full exit interview wherever possible, while 20 per cent of institutions ask clients for some kind of formal feedback. At half of firms (51 per cent) relationship managers are asked to "report on what clients have said informally". 15 per cent of respondents said that "nothing is done" when clients leave.

- When asked if longstanding clients enjoy rewards which are not offered to new clients, only a fifth of respondents (21 per cent) said their firm makes this distinction. 64 per cent of respondents said that longstanding clients do not receive special treatment, and the remaining 14 per cent said they did not know if they did.

EDITORIAL PANEL

GED BRANNAN - HEAD OF COUTTS EXPERIENCE, COUTTS

Ged Brannan is head of Coutts Experience, part of the products, services and marketing team. He joined in 2011 to drive the growth of the business through a renewed focus on all aspects of client experience.

Ged has more than 15 years' experience in the wealth management and financial industries, and worked for Accenture for the first 12 years of his career. More recently he served as client experience transformation lead, head of change, and chief operating officer for operations at Barclays Wealth and Investment Management.

RICHARD CARTER - DIRECTOR OF GLOBAL COMMUNICATIONS, ROLLS-ROYCE MOTOR CARS

Richard Carter joined Rolls-Royce Motor Cars in March 2009. As director of global communications he has responsibility for global communications strategy and has overseen the launch of the Rolls-Royce Ghost and Rolls-Royce Wraith. In doing so, he helped re-establish the company's reputation as the pinnacle of automotive aspiration.

Richard began his BMW Group career in South Africa as general manager, group communications and public affairs. A lawyer by profession, he held a number of diplomatic positions in Washington and London prior to this, serving as presidential press secretary to President FW de Klerk during South Africa's transition to full democracy in 1994.

SEB DOVEY - MANAGING PARTNER, SCORPIO PARTNERSHIP

Seb Dovey manages the development and execution of strategic recommendations for clients including private and global banks, asset managers, family offices, technology firms, aggregators and start-up wealth managers. He is also currently involved in creating and building education-based solutions for a number of clients.

Seb is a regular commentator on the wealth management industry in the press and at conferences and academies, and has chaired and presented leading industry events in Asia, Europe and the US. He has also served as a lecturer for The Swiss Finance Institute's executive MBA programme, and is chairman of the advisory board of B-Hive, a network for global private client investors.

JAMES EDSBERG - SENIOR PARTNER, GULLAND PADFIELD

James Edsberg works with the management teams of private banks and wealth managers to help them plan and implement growth strategies in their domestic and international markets.

He is a pioneer of the client-centric approach to strategy and author of the Client Centric Index, an online diagnostic which helps advisory firms align and benchmark their governance, operations, market positioning, client relationship management, remuneration and culture with a deeper understanding of clients and markets.

James is also a regular media commentator the *BBC*, *Bloomberg*, the *Financial Times* and the *International Herald Tribune*.

EDITORIAL PANEL

ANNE GRIM - HEAD OF CLIENT EXPERIENCE, BARCLAYS WEALTH AND INVESTMENT MANAGEMENT

Anne Grim joined Barclays in October 2010 as managing director, head of global client experience (GCE). GCE is responsible for the designing, driving and delivering of client experience activities through the following functions: client experience strategy and change, marketing, communications and events, client insight, data and reporting, client service centres and client relations (complaints).

Prior to joining Barclays, Anne was executive vice president and divisional marketing, ebusiness and strategic partnership leader for nine Wells Fargo consumer and commercial businesses. Before this she was general manager and senior vice president of customer information management at American Express, where she led global database marketing, CRM strategy, decision sciences and information management.

PAULA HIGGLETON - SENIOR PRIVATE CLIENT TAX PARTNER, DELOITTE

Paula Higgleton specialises in advising wealthy individuals, entrepreneurs and their families, leading Deloitte's London private client practice.

She advises on the many and varied aspects of international private client taxation including, but not limited to, the structuring of business, investment and property interests, chattel and asset taxation, trusts and estate planning, family governance structures, capital gains tax planning and philanthropic activity.

Paula is a member of the Chartered Institute of Taxation and the Society of Trust and Estate Practitioners, and is a frequent commentator on the fiscal issues affecting wealthy families.

MICHAEL MOODIE - HEAD, RBC WEALTH MANAGEMENT - UK

Based in London, Mike Moodie is responsible for the overall strategic direction, operating performance, and client servicing of RBC Wealth Management's UK business.

Mike has worked for the RBC Group for over 26 years, focusing for the past 14 years on the international needs of HNW clients through postings in Canada, Barbados, The Bahamas, the US and the UK. He was previously based in Miami as head of the international wealth management business' Americas region, and is now an executive member of RBC Wealth Management's British Isles and Caribbean operating committee.

OSMOND PLUMMER - WEALTH MANAGEMENT CONSULTANT AND TRAINER

Osmond Plummer currently trains and consults in wealth management internationally, as well as being Swiss correspondent for *WealthBriefing*. He is also a faculty member at the European University in Geneva and a visiting lecturer at other universities.

Osmond is a veteran wealth management specialist, having held various senior positions at the world's leading institutions. His former roles include: head of private banking market development and head of compliance for Bank of New York – Inter Maritime Bank, Geneva, and deputy manager of the international private banking office of Lloyds TSB, serving clients in the UAE, Oman, Pakistan, Bahrain and Qatar, based in Dubai.

EDITORIAL PANEL

JOSS MITCHELL- DIRECTOR, HEAD OF UK BUSINESS DEVELOPMENT, CITI PRIVATE BANK

Joss Mitchell joined Citi Private Bank in September 2010 from HSBC Private Bank, where he was a director and regional head of its private banking business in Scotland. Before this, since 2002 he served in a number of roles within HSBC's institutional and private client investment management businesses.

Having started his career with Mercury Asset Management in 1987, where he was part of the institutional fixed income team, Joss moved to Credit Suisse Private Bank in 1994 as a global equity fund manager managing assets on behalf of international private clients. Following this he joined Deutsche Private Bank in 1998 as a discretionary portfolio manager focusing on US equities for private clients.

CATHERINE TILLOTSON - MANAGING PARTNER, SCORPIO PARTNERSHIP

Catherine Tillotson oversees the research activities of Scorpio Partnership and the development of strategic recommendations for client projects. In addition, she leads both Scorpio Partnership's annual Global Private Banking KPI Benchmark and the Futurewealth project.

The Global Private Banking KPI Benchmark identifies and tracks the performance of 224 wealth management firms around the world that together manage an estimated 82 per cent of global managed wealth. Meanwhile, Futurewealth is the largest online survey of global wealth trends with end-HNW consumers.

LISA WORLEY - GLOBAL HEAD OF MARKETING, BARCLAYS WEALTH AND INVESTMENT MANAGEMENT

Lisa Worley joined Barclays in September 2007 and has been head of marketing for the wealth and investment management division since May 2010, responsible for its global marketing strategy and implementation worldwide. Previously Lisa was COO for marketing, responsible for managing the day-to-day operations of the function and ensuring the alignment of marketing investment to business priorities.

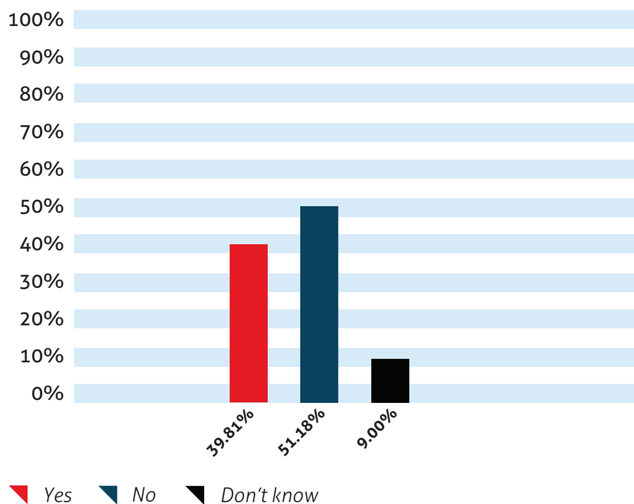
Prior to Barclays, Lisa spent 15 years with Ernst & Young, most recently as head of marketing for the UK and Ireland, responsible for the business-to-business marketing strategy for the audit, tax, transaction and advisory business. Her other roles at Ernst & Young included marketing and business development director for the technology, media and telecoms sectors in EMEA, and global account management, UK operations and audit.

SECTION 1

DISCOVERING WHAT HNW CLIENTS WANT AND NEED

THE PROLIFERATION OF CLIENT EXPERIENCE OVERSIGHT ROLES – A SIGN OF THE TIMES

Does your firm have a dedicated client experience head (or a senior executive with this function as a formal part of their remit)?



While some wealth management organisations may have long had a formal head of client experience (or the equivalent), the past few years have seen a noticeable proliferation of such roles. That said, it is still by no means a given that even a global wealth management institution will have a senior person dedicated to overseeing client experience: only 40 per cent of the survey respondents reported that their firm has a dedicated client experience head (or a senior executive with this function as a formal part of their remit). Just over half (51 per cent) said that their firm has no such role in place, and a further 9 per cent of respondents said that they did not know if there was one.

James Edsberg, a former board level chief client officer at one major institution, sees a change. "Many boards want to have a clearer line of sight direct to what clients are saying about the service and consider its wider implications for the business," he said. Other executives interviewed for this report see the recent growth in client experience roles as a reflection of the greater focus on client satisfaction which is taking hold - not just within wealth management but right across financial services.

There are a variety of reasons why organisations are upping their focus on service levels and customer satisfaction, but one of the primary drivers is the "growing competition in a global sphere", said Jo Causon, CEO of the Institute of Customer Service. She explained that, in broad terms, increased global competition has forced firms to cut all the costs they can and this has led to products (and services) becoming more homogenous. Many firms are therefore focusing on differentiating themselves on the service experience they deliver, she said. People's expectations have changed, Causon continued, so that now while people still of course pay attention to the "product" they are buying, they are also very concerned with its delivery and how they are serviced.

Another major contributing factor is the cultural shift - largely wrought by the internet and social media - towards the far more open comparison of products and services. While some of this comparison is on price, what we might term consumer activism is also taking place around service standards from all kinds of providers. Wealth management is by no means exempt from this, and online forums now exist where private clients discuss their experiences in quite granular detail and effectively recommend good providers to their peers.

We now have a culture of comparison in general, and this has been matched in an increased willingness to talk about wealth management in itself, noted Lisa Worley. "Perhaps twenty years ago people didn't talk about their private banking relationships and didn't really talk about their wealth," she said. Her view is that nowadays the focus of the wealth management industry has evolved to be more about helping people towards the achievement of life goals rather than the management of money for money's sake, and therefore "people talk a lot more about their wealth goals and ambitions and the people they value working with to help achieve them".

SERVICE EXCELLENCE AS A "BUFFER"

Aside from clients' increased willingness and ability to discuss their wealth management provision, the industry has also experienced much more "topicality" in the years following the financial crisis. But aside from the fraud, tax evasion and data theft scandals which have rocked the wealth management industry in recent times, the continued choppiness of global markets has also increased focus on service levels.

As James Edsberg explained: "When portfolio performance was easier to achieve, client service was comparatively less important, but as performance has retreated and became harder to deliver, client experience has come to the fore. The global financial crisis has suddenly revealed the true strength, or weakness, of the client experience".

The fact that strong investment returns are harder to deliver means that wealth managers need the "buffer" of excellent client service to retain clients. In fact, several of the editorial panel members said they believe that clients are actually far more tolerant of investment underperformance (at least in the short term) than they are of poor service standards.

Since wealth managers are largely at the mercy of the markets when it comes to investment performance, it makes sense that they should put a good deal of their energies into delivering superior client service, simply because this is something they *can* control. Wealth managers, like firms across the whole range of industries, are also waking up to the role that client satisfaction has in determining their own financial performance. As Causon put it: "If you are listening to your customers then you are much more likely to be *engaged* with your customers. You are then much more likely to retain them and be able to get back return."

> *"When portfolio performance was easier to achieve client service was comparatively less important, but as performance has retreated and became harder to deliver, client experience has come to the fore"*

When it comes to Net Promoter Scores (and referrals are of course crucial in wealth management), there is a clear link between client satisfaction and recommendations. For instance, the Institute of Customer Service has found that, on average, retail banks which improve client satisfaction by one point on its index (on a scale of 1- 100) boost recommendations by 1.6 per cent.

CLIENT EXPERIENCE FIGUREHEADS

As service standards and client satisfaction have come to the fore, their oversight has come to be taken far more seriously. However, there is some degree of debate over the form this should take and even the merits of making client experience one person's responsibility.

Among the concerns of the editorial panel members was that having a dedicated head of client experience could undermine a corporate culture of *every* member of staff being responsible for it in their own way. "It's a bit like having a head of risk – ideally everyone in the bank would be so au fait with all aspects of risk that it would be built into their DNA," said Ged Brannan. "In the same way, attention to what clients are experiencing should be part of what everyone is thinking about all of the time." That said, as Catherine Tillotson pointed out, client experience being everybody's job and having a head of it aren't mutually exclusive. "It can be everybody's responsibility *and* it can be the head of client experience's responsibility," she said.

As long as the institution ensures that staff don't "silo" client experience in their minds, the contributors agreed that it can be immensely useful to have a dedicated client experience head. The first, and most obvious, reason for this is accountability, but it was also pointed out that such a person is invaluable in linking up a firm's efforts and knowledge. As Tillotson pointed out, large firms in particular need someone to "cheerlead all the metrics around client experience through the organisation".

As well as the need for client feedback data to be disseminated, Tillotson also pointed to the "enforcement" element of the role. "It's also about making sure things change, or if they don't explaining - positively - why," she said, adding that there is always a danger otherwise that obtaining client feedback is just "an exercise which is just done and then forgotten about".

Worley also pointed out that a global client experience head can form a view right across the organisation and offer invaluable operational insight. "Organisations aren't normally consistently well-aligned front to back across all channels, but the role of the head of client experience can ensure that there's a consistently excellent client experience across all touch points, irrespective of who is accountable for the channel or the delivery," she said.

SENDING A MESSAGE

Another, more ideological, reason why firms might like to install a dedicated head of client experience is that this sends a clear message that it is being taken seriously. Again though, there is some debate about how "internal" a move this should be.

The panellists agreed that having a client experience figurehead who is senior and prominent (and ideally on the executive committee) can be a powerful signal to staff, however they were divided on the merits of making this function highly visible to clients. A recurrent point was that while clients might appreciate the reasoning behind their wealth manager having a dedicated head of client experience, this will have little effect on their perception in isolation.

"I don't think it can hurt saying that there is someone who carries the banner for the client, but the way that clients will judge client experience will be through the daily interactions they have with a local team," said Mike Moodie. "Everybody that they're talking to, everybody that is servicing them, everybody supporting the people servicing them – that's how they're going to come to terms with whether the client experience is there."

The panellists said that having a dedicated head of client experience can be useful from a branding perspective, but that it is outcomes which clients really care about. "To some extent I don't know why, if I was a client, that I'd care if there were one or not as long as the experience I was having met my expectations," said Brannan. "It's only when there's a problem that I think I'd like to know that that role existed. Then I would like to think that somebody at the organisation is thinking about this."

> *"It can be everybody's responsibility and it can be the head of client experience's responsibility"*

Brannan, along with several of the other panellists, believes that the amount of profile firms should create around having a head of client experience "depends on the philosophy of the organisation and the person who is in that role". But while the "style" of a particular wealth management brand might fit well with having a highly-public figurehead for client experience, the general feeling seems to be that the client experience function can be largely an internal one. "I think the most important thing is the outcome - the engineering behind that isn't necessarily what clients need to know," said Brannan.

BEHIND THE SCENES

The "engineering" behind the client experience function is actually one which many wealth managers are still grappling with, such as where it should "sit" organisationally. According to Seb Dovey, "the industry's current thinking is that client experience is a sub-set of marketing", and this is something which he can understand despite not being in agreement with. What is more incongruous are the instances he has seen of client experience sitting within compliance. "If you see it there you know that the business model hasn't really figured it out yet," he said, adding that he personally envisages client experience becoming a discrete business area in time.

Dovey also pointed out that wealth managers need to think carefully about reporting lines, noting that some firms might take the view that client experience should be a direct report to the chief executive. Thematically, this seems to make sense, and this approach is given further weight if we look to practice in other industries. As Dovey notes, outside the wealth management sector the client experience officer is a board position, in recognition of the fact that "they dictate how the final mile is manifested and that's crucial". Causon actually goes even further advocating that responsibility for client experience rests at the highest level. While firms might want to have someone who has client experience as their "day job" her view is that "actually, accountability for client experience has to rest with the whole board and therefore the board has to have joint responsibility for it".

We may be some way off board members taking on joint responsibility for overseeing client experience as an explicit part of their role. However, when we consider the link between performance in client satisfaction terms and financial performance, this might not be the case for too much longer. For all the reasons outlined previously, client experience is a top strategic and operational issue.

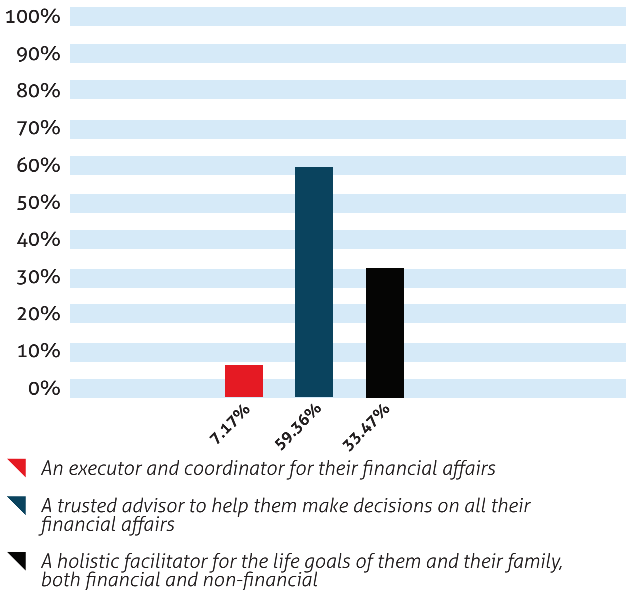
"There is a strong correlation between customer satisfaction and financial performance in many organisations," said Causon. "Organisations which are genuinely focused around the client will build better and stronger client relationships, and therefore improve key bottom line metrics like retention and recommendations."

> *"Organisations which are genuinely focused around the client will build better and stronger client relationships and therefore improve key bottom line metrics like retention and recommendations"*

WHAT DO CLIENTS REALLY WANT FROM THEIR WEALTH MANAGER?

The issue of what clients really want their wealth manager to function as is a complex one and, predictably, the reader survey revealed a significant divergence of opinion on this matter among wealth management professionals.

In your view, which phrase best describes what clients predominantly want their wealth management institution to function as?



An executor and coordinator for their financial affairs

A trusted advisor to help them make decisions on all their financial affairs

A holistic facilitator for the life goals of them and their family, both financial and non-financial

59 per cent believe that clients predominantly want their institution to function as "a trusted advisor to help them make decisions on all their financial affairs". Meanwhile, 33 per cent think that clients are looking for "a holistic facilitator for the life goals of them and their family, both financial and non-financial". Only 7 per cent said clients want "an executor and coordinator for their financial affairs".

Taking the least chosen option first, the panellists were wholly unsurprised by the low numbers voting for this option. Indeed, several were surprised that it was even this high, since if all clients want is an executor, it is debatable whether the fees which wealth management proper entails would make sense. That said, some clients (such as those who have made their fortunes through managing a hedge fund, for example) do want to be in the driving seat when it comes to managing their assets, and so could go to a wealth manager for the platform it provides, or to have the option of a second opinion on investments. Another attraction could be the broader expertise wealth managers offer, such as in tax advisory or wealth structuring services.

NOISE REDUCTION

The crux of the issue is that wealth management is really about advice – and this is something that private clients are ever in need of, no matter what their level of investment competence, the contributors said. "Private banking isn't really about executor – although it does exist. In the wealthy end of life people need advice, they need a sounding board and they also need noise reduction," said Osmond Plummer. He explained that "noise reduction" is really important because of the democratisation of information wrought by the internet and the plethora of information sources around today. While wealth managers used to be perceived as having information that clients themselves could not access, this has all changed. However, therein lies the problem: while clients are empowered by the availability of sources of "professional" information, it can be incredibly hard - and obviously time-consuming - to sift it.

Coming to any conclusions can also be difficult, Plummer continued. He actually carried out research in the past and managed to find "fairly equal numbers of 'buy', 'sell', 'hold', 'don't touch' and 'this is great' recommendations" on *exactly* the same investments. "If you want an opinion you can find it...it's all about having people who will advise," he said.

The split between the other two options on the survey was more contentious, and it hardly needs pointing out that the respondents' views – and indeed those of the expert panellists – will be coloured by the institutions and markets that they operate in, or have done previously (and the clients they have worked with). As such, it is debatable how far wealth managers have the "critical distance" to say what clients really want at all, and this is of course where client insight initiatives come into play.

In many ways, it is also debatable whether it is even possible to answer this question at all, as any such answer will by definition be a massive generalisation. Underscoring this, the panellists asserted that the reality of what clients want lies somewhere in the middle of the two most popular answers – with them leaning one way or another depending on a whole range of factors. "New" versus "old money" came up as a possible predictor of the desirability of lifestyle management, for example. We could note here that Russia's Sberbank, and other players in young wealth management markets, have launched services helping clients to get their children into leading academic institutions; arguably, for "old money" clients these are already well-worn paths.

> *"Depending on where clients are on the wealth pyramid, they will have a very different potential understanding with the bank"*

It was also said that a client's asset base will largely dictate what they want their wealth manager to "be", and also what the institution can provide on a cost-to-serve basis. "Depending on where clients are on the wealth pyramid, they will have a very different potential understanding with the bank," said Bruce Weatherill, chief executive of Weatherill Executive Consulting. For clients at the "entry level", services like trusts will likely be irrelevant, he explained, but once clients get to the £20-30 million mark "that's when it moves into next generation, philanthropy, trusts and all those other sorts of things".

A SINE QUA NON?

While the phrase "trusted advisor" is by no means new, it has undoubtedly gained added currency since the global financial crisis, making it unsurprising that 59 per cent of respondents chose this option. However Lisa Worley pointed out that trust is really a sine qua non for a wealth management relationship to begin at all. "I think the 'trusted advisor' piece is almost a red herring because we are being given responsibility for a large proportion of somebody's wealth and all the things that enables them to do," she said. "Because of the amount of responsibility that individuals are entrusting in terms of the management of their wealth, I don't think they'd be prepared to do that if they didn't trust you as an advisor." Worley, like several other panellists, argued that firms are going to have to go further than this to satisfy the client of today.

When it comes to the "holistic facilitator" piece, Worley takes issue with the assumption that this is the preserve of the ultra-wealthy, believing that this concept is equally applicable wherever clients are on the wealth scale (although cost-to-serve would have to be considered carefully here in the service mix). Her view is that perhaps some clients have never experienced a wealth manager which aims to help clients achieve their life goals – and they therefore haven't articulated this demand. "It's hard to envisage what you want a provider to be when they haven't played in that space," she said, "I do genuinely think that customers just haven't had the right wealth management experience."

By acting as a holistic facilitator – like helping entrepreneurs connect with their peers – firms can enhance client engagement and experience. Moreover, Worley believes that this wider role underpins relationship longevity. "Really understanding that wealth has a part to play in the achievement of life goals, as opposed to being an end goal for an end goal's sake, is actually what changes a relationship from being a transactional one to being an enduring advisory one," she said.

Enduring trans-generational relationships is doubtlessly the ultimate goal. As such firms should note that what clients want will likely change with stage of life (an extremely important profiling factor). "Needs change with lifestyle, with age," said Plummer, adding that for some at least wealth management is about having stress taken away from them. Arguably, the more ways firms can do this the better.

IN FOCUS: "MR X", AN UHNW CLIENT, SHARES HIS WEALTH MANAGEMENT EXPERIENCES

BACKGROUND

Following a very significant liquidity event in the early noughties, "Mr X" soon had firms of all stripes vying for his business. Barring a handful of asset managers which deal with some specific elements of his affairs, his primary, decade-long relationship is with a global top-five wealth management provider.

While Mr X's memories of how firms first pitched for his business go back to a time when aggressive product-pushing was arguably more culturally acceptable, they serve as a useful reminder of how far (one hopes) the industry has come in this regard since then. His broader comments of course represent only his individual views, but they nevertheless represent an invaluable client's-eye perspective of a kind which rarely reaches the public domain.

HOW *NOT* TO PITCH...

Mr X has abiding memories of how he was first approached and they are unfortunately a pretty damning indictment of how some firms at least *used* to work. One US firm's representatives immediately attempted to sell him a complex structured note without even a cursory attempt to understand his needs, while one iconic private banking brand is described by Mr X as having "really been out to sell anything they could". He is also glad to have ignored another firm's immediate recommendation to buy an 8 per cent General Motors bond.

Surprisingly, *just one* firm began relations with a lunch invitation. Even more shocking was the arrogant approach of a representative of one US institution which bombarded Mr X with unsolicited calls and emails making much of the fact that his firm had lowered its asset threshold to £50 million and so would now condescend to do business with him. This person continued in the same vein, "always managing to say the wrong thing", said Mr X, highlighting the importance of interpersonal skills and tone in early encounters.

The eventual winner of Mr X's business was the one he felt had tried hardest to understand his lifestyle and needs, but even this firm did not attempt this straight away. (One would hope that things have come on a long way since then, not least because of the industry's more intense KYC and suitability focus).

Interestingly, despite the trouble they went to in pitching to Mr X,"no-one really followed up" and attempted to understand why they had been unsuccessful and perhaps turn their initial rejection around.

A SLIGHT MISMATCH

Mr X has had the same relationship manager for the past five years, but although they get on well Mr X feels that "he is quite junior" and he isn't "talking to an equivalent". This is despite the fact that Mr X's total wealth would qualify him as a key client in most firms' eyes.

It should be pointed out here that at the time of his liquidity event Mr X was actually a well-known figure in the international financial services sector, but despite this and his very significant wealth he is nevertheless an unassuming and down-to-earth type of person (he generously attributes the relative juniority of his advisor to the sheer size of the wealth manager internationally, for example). One therefore wonders to what extent the wealth management firms under discussion *really* knew who they were dealing with.

> *"I don't expect to deal with them all the time, but I'd like to meet them more often"*

Mr X is also slightly disappointed that he has only met his provider's head of European wealth management once, despite the firm knowing exactly how wealthy he is due to consolidated portfolio reviews. "I don't expect to deal with them all the time, but I'd like to meet them more often," he said.

LACK OF UNDERSTANDING

Despite his primary provider having a holistic view of his entire wealth, Mr X reports that it was a matter of some work to make the firm understand that his extensive high-end property investments were made to generate a steady rental income stream and therefore many of its insights were largely irrelevant. That the firm "ignored the fact" that property gives him cashflow "for a year or so" must have been intensely irritating.

This neglect of end goals has been mirrored at the asset manager Mr X entrusts his pensions and trusts to. Rather vexingly, its initial approach was to ask Mr X what he would like to invest in, rather than advising him of which investments would deliver what he was looking for. Another source of irritation is the sheer volume of investment research this asset manager presents him with. While doubtlessly well-intentioned, Mr X has found himself obliged to tell the firm that he "doesn't want any more FT presentations". This information has proven to be "actually useless in the end since they basically said 'we don't know'... I think 'What does that mean? What are you telling me to do?'" he said. Mr X is however still happy to do business with this asset manager because, while it might have bombarded him with research, it hasn't tried to sell to him "really hard". Aggressive product pushing is of course anathema to clients (and regulators).

HOSPITALITY

Firms often give out the impression that they are constantly trying to entice clients to exclusive events, but this has certainly not been Mr X's experience. Despite the fact that his primary wealth manager could certainly gain additional wallet share from him, he feels that the firm "isn't trying very hard" to woo him and that he "isn't turning things down all the time at all". Indeed, his feeling is that he would have to ask to be invited to events. Mr X's wealth manager would also do well to learn a bit more about his interests, and those of his wife. "A new firm could probably get round me by taking us to the Chelsea Flower Show," Mr X quipped. While he may have been half-joking, it is quite surprising that such an invitation hasn't materialised in a decade, particularly when we consider what a "classic" wealth management hospitality event this is. One also wonders if any of Mr and Mrs X's providers have bothered to find out (and record) that horticulture is one of their particular interests.

THE IMPORTANCE OF GESTURES

While special events do make clients feel valued, financial gestures

– or the lack thereof – particularly stick in clients' minds. Here Mr X recalled one particular instance in which a company which ran one of his trusts refused to waive its annual management fee despite it having lost a hefty 40 per cent in that year. "It would have been one little gesture, but they didn't even want to do that," he said, adding that his advisor didn't seem keen to push for the fees to be waived either. As might be expected, Mr X subsequently ceased doing business with that firm.

Mr X also highlighted firms being very keen to brandish "the fine print" when investments haven't performed as expected. In addition, he has experienced significant divergence in how firms have handled this thorny subject in relation to the AIG Life Enhanced Fund (the subject of high-profile mis-selling accusations since the financial crisis). While Mr X's primary wealth manager gave him several weeks' warning that the fund was getting into trouble, another of his providers continued to tell him that his investment in this vehicle was fine (to the extent to which he thought about suing that firm).

> *"Changing could be a case of 'out of the frying pan and into the fire'...it's very hard to work out what you're going to get until you've done it"*

While Mr X has "voted with his feet" on several occasions, he said that he and his peers are generally reluctant to do this, firstly because it's "a real hassle" to enter a new relationship due to the level of client information firms now require. He is also wary of stepping into the unknown. "Changing could be a case of 'out of the frying pan and into the fire'...it's very hard to work out what you're going to get until you've done it," he said. Confirming conventional industry wisdom about the primacy of recommendations, Mr X said: "I wouldn't go to anyone else unless they were recommended by someone I respected". Recommendations from former colleagues have therefore prompted him to give a new firm a try, as have those from neighbours and friends, despite the potential hassle involved.

FEEDBACK

Despite having a lot of insights to share, Mr X doesn't recall being asked for regular feedback by any of his providers. He would be happy to give in-depth feedback on an annual basis, particularly if this was sought digitally, but he is not in favour of an entirely "tick-box" methodology. "When you fill in questionnaires like that you tend to cluster all your answers in a general area," Mr X said, explaining that he values a more qualitative approach with free-form comment boxes. In fact, he would be disinclined to fill in a questionnaire without this option and we could argue here that requesting additional comments signals a real willingness to listen to what clients have to say about their entire experience, rather than just those areas which the bank wants to put up for evaluation. Mr X also believes that surveys carried out by third parties can often be "useless" since they lack the specialist knowledge to make the exercise fruitful. In his view, senior managers should "own" the feedback process to convince clients that their comments will be actioned.

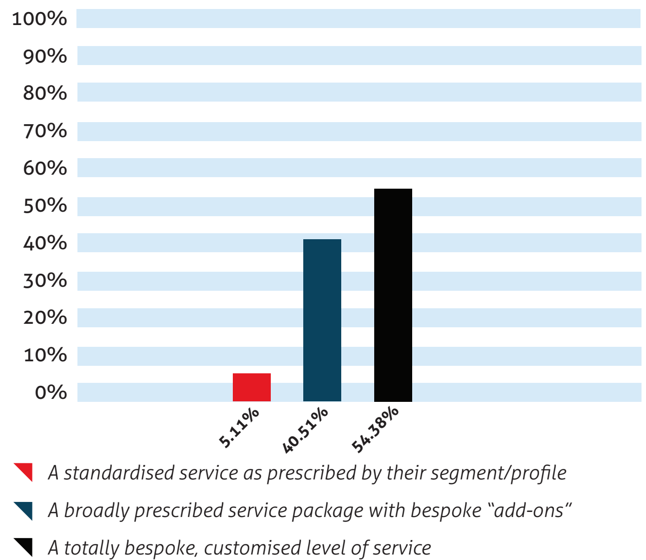
So what are Mr X's top tips for wealth managers seeking to provide outstanding client experience? His advice is really very simple: aim to make clients feel special and *really* cultivate them. It shouldn't need to be said, but he advises firms to court prospects by asking "Would you like to come out to lunch and talk about it?" and then to continue in this vein.

That said, Mr X probably spoke for all clients when he said that a great client experience has to be underpinned by great performance. "Even though I like the guy I deal with and he does seem to be good, in the end it comes down to money," he said. "If a bank came up with consistent outperformance it wouldn't really matter what their service was like".

CUSTOMISED VERSUS STANDARDISED – STRIKING THE RIGHT BALANCE

Almost without exception, the marketing literature of most firms will include phrases like "bespoke solutions" or "tailor-made services" – but to what degree do clients really expect this in reality?

In general, what do you think clients expect their wealth management institution to provide?



As ever in a sector as fragmented as wealth management is, both in terms of business models and target clients, there is no simple answer to this question – and this came through strongly in the reader survey. While, 54 per cent of respondents believe that clients want their institution to provide "a totally bespoke, customised level of service", 41 per cent think that clients expect "a broadly prescribed service package with bespoke add-ons". The remaining 5 per cent who believe that clients expect "a standardised service as prescribed by their segment/profile" can arguably be discounted, as this really describes a totally commoditised proposition which isn't wealth management as it is usually thought of at all.

When addressing the question of just how bespoke wealth management should really be, the first point to be made is that the level of tailoring required will naturally rise in line with the client's asset base, primarily because the financial affairs of the wealthiest clients will probably be far more complex.

But the question of how customised an offering should be is of course more delicate than simply one of asset base and a range of considerations need to be weighed.

While a slight majority of the survey respondents said that clients want totally bespoke, the contributors to this report argued that in reality this is untenable for all but the ultra high net worth segment (some even said this is really family office territory). "At some point you do need to look at the commercial realities of the cost to serve," said Anne Grim. "If a client wants 'ultimate customisation' – in totally customised reports and high-end events and so on – but is not bringing the business and the assets then at some point you do need to recognise there is a limit to what is offered."

But beyond cost-to-serve considerations, Grim believes that to a certain extent the need to customise on a client-by-client basis reflects a failure of model. While all clients are of course unique, she believes that by proper segmentation and taking a deep, holistic view of those segments' needs it is possible to "come up with some fairly consistent approaches". "If you're doing those right, the need

for some of the customised bolt-ons is minimised," she said.

RE-SETTING EXPECTATIONS

As mentioned elsewhere is this report, there seems to be an emerging acceptance that the wealth management industry may have historically "oversold" itself in some regards, customisation being a key one. But while the industry may now have to reset clients' expectations to an extent in light of cost, regulatory and other pressures, Grim's view is that this will probably not pose that much of a problem since most clients actually have much more realistic expectations than firms think. "I don't think that clients actually expect 100 per cent-tailoring of a solution to meet their needs. I think that they want it to be relevant to them," she said. Clients recognise that they will need broadly the same provision as another person who is broadly similar to them, despite the fact that some firms still shy away from telling clients they have been segmented at all.

For Grim, there is an important distinction to be made between an offering being totally bespoke and it just *feeling* that way to the client. "It's more about combining the elements in different ways to make it feel bespoke. Behind the scenes it doesn't need to be," she said. By way of illustration we might think of the Starbucks model: apparently there are a possible 87,000 beverage variations available to choose from, but every "unique", personalised end-product is actually the result of a completely commoditised process. "Starbucks is still utterly, utterly in control: it sets out ten different coffees you can buy and gives you fifteen variations on those ten – that's commercial," said Seb Dovey.

"I don't think that people want things individually customised completely, because they don't then have any way of referencing what they're actually getting"

As well as understanding the need for a degree of standardisation, it was also said that clients probably derive comfort from standardisation in many instances, such as knowing that people like them have bought a similar investment product. Here, another useful analogy which came up repeatedly was with car design: clients like to choose the paintwork of their cars, but will clearly prefer a standard, tested engine. "I don't think that people want things individually customised completely, because they don't then have any way of referencing what they're actually getting," said Osmond Plummer, adding that psychologically clients like to feel part of a peer group "club".

According to Catherine Tillotson, answering the customisation question is "about getting the right balance" and firms need to free themselves from the automatic assumption that customised is always better. Not only is this unsustainable from a commercial perspective, but it also seems a sure path to regulatory censure on TCF grounds, several contributors pointed out.

"It's more about combining the elements in different ways to make it feel bespoke. Behind the scenes it doesn't need to be"

STRICTER PARAMETERS

It seems to be that wealth management firms need to steer a course between delivering a genuinely bespoke offering and one which feels and functions as bespoke, but is framed within set parameters. These parameters need to be set clearly by clients' needs and not firms competing on being the "most bespoke", as often that just simply isn't in the best interests of either client or firm, the contributors pointed out.

"I do think that as an industry we have probably customised to excess and it does go back to understanding the core client need," said Grim. "If one is trying to introduce capabilities that are not really addressing the core client need then you would question why."

Honest appraisals seem to be what is needed, and on this point Grim added that wealth managers should perhaps be more open to partnering with specialists rather than trying to be all things to all people at once. Responsible investing, such as in the construction of carbon-free portfolios, is a case in point here.

"The industry as a whole isn't good enough at recognising what they do well and what they do less well, and partnering on things that may not be strengths," she said. "A really good wealth manager should say 'OK, here's the full spectrum of capabilities and services that you might need' and they should be able to bring those to bear for the client, just as the conductor of the orchestra will bring those instruments in without having to be an expert in playing all of them."

"I don't think that clients actually expect 100 per cent-tailoring of a solution to meet their needs. I think that they want it to be relevant to them"

Grim's view is that some of the "excess" in bespoke solutions arises because firms might not be experts in a certain field but yet are unwilling to introduce organisations which are. The reluctance of firms - and relationship managers - to relinquish any degree of client "ownership" is clearly an issue on many fronts.

A WORKABLE MODEL

As they strike a balance between customised and commoditised, firms should of course recognise that every client is unique in terms of their financial goals and needs, said Tillotson, but they also need to see that "this doesn't mean that firms have to respond to every customer on a completely customised and bespoke basis". Instead, it is the job of the wealth management firm to deliver solutions which help clients meet their unique goals but which are "robust, compliant and for their own business purposes scalable", she explained, adding that effective segmentation is foundational to this.

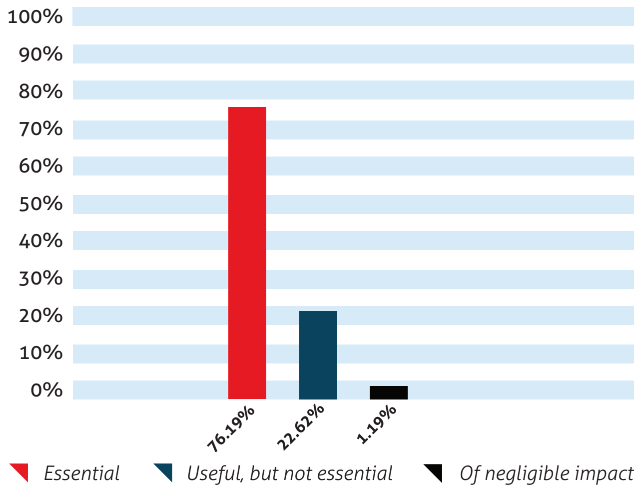
Summing up what he believes is the way forward, Dovey said firms should be aiming for "a model-based approach and a model-based client experience with variations on a theme which are controllable or anticipated by the bank".

"The one customer, one at a time route is a recipe for disaster commercially. This whole idea of bespoke for bespoke's sake is so simplistic, and it's just not of the time any more," he said.

"The one customer, one at a time route is a recipe for disaster commercially. This whole idea of bespoke for bespoke's sake is so simplistic, and it's just not of the time any more"

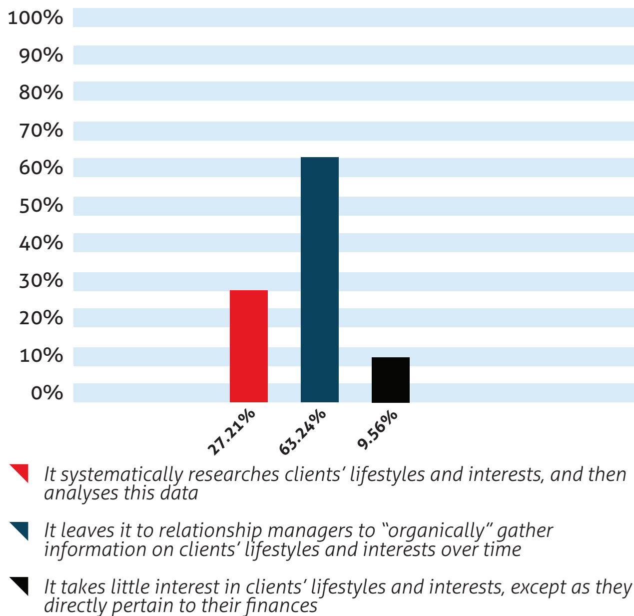
DEVELOPING AND DEMONSTRATING A DEEP UNDERSTANDING OF CLIENTS

When it comes to creating brand loyalty and deepening relationships, what would you say that cultivating a deep understanding of clients' lifestyles and interests is?



For 76 per cent of survey respondents, cultivating a deep understanding of clients' lifestyles and interests is "essential" to creating brand loyalty and deepening relationships, and a further 23 per cent say that while this is not essential it is useful. However, despite this high level of conviction only 27 per cent of respondents said that their firm systematically gathers and analyses data on clients' lifestyles and interests.

What best describes the approach of your firm?



The fact that a significant majority of 63 per cent of firms leave it to relationship managers to "organically" gather this information over time can probably be accounted for by the fact that they are best-placed to do this, the contributors pointed out. "The quality of the relationship with the relationship manager surely makes that the easiest touchpoint to collect the information organically, but I do think there are other ways that an organisation can come to an understanding of lifestyle and interests," said Lisa Worley.

Her view is that firms should have a mechanism to capture this information on a more efficient and formalised basis, to supplement the "organic gathering" carried out by the relationship manager. Not only does this mitigate key man risk, it is also "critical to ensure continuity of the client knowledge throughout the organisation", such as when other specialist advisors have to be brought in, she said.

> *"Management, back-office and the marketing support, to name three functions, would benefit hugely from understanding better clients' views on the service they receive from the bank"*

As institutions increasingly encourage clients to have more touchpoints with the firm it is crucial that really knowing and understanding what they want shouldn't just be the responsibility of relationship managers, added James Edsberg. "Management, back-office and the marketing support, to name three functions, would benefit hugely from understanding better clients' views on the service they receive from the bank," he said.

The panellists were surprised that as much as 10 per cent of the survey respondents said their firm "takes little interest in clients' lifestyles and interests, except as they directly pertain to their finances". Some of this wider information might not seem immediately relevant, but, in the words of Bruce Weatherill, it "helps you to understand the type of person you're dealing with and put all the financial stuff in context".

Of course, this process is crucial to satisfying suitability and KYC requirements and so a large part of gathering "contextual" information should be at least broadly completed at onboarding. However, a wealth of further useful information will naturally accrue to the firm over time and so systematically capturing this and recording it within a robust CRM system should be happening on an ongoing basis. "Capturing all the discussions and dialogues and letters and interests actually helps put you in a very good position with the regulator to be able to demonstrate your knowledge of the client and your understanding of what's important to them – beyond just questionnaires alone," said Mike Moodie.

POSITIVELY UNDERSTOOD

But beyond regulatory requirements, gathering information on clients' lifestyles and interests is about making them feel that they are "positively understood", said Anne Grim. This is a key concept in firms' approach to client satisfaction nowadays, explained Jo Causon. "What organisations really need to do, whether they are in wealth management or any other sector, is to have a fundamental understanding of their customers and insight into how their customers are behaving in their wider lives," she said. Not only will this understanding help firms ensure that the products and service they offer are relevant to the client base, it is also foundational to forging deep, personal relationships – a factor which 59 per cent of the survey respondents said is the most important "soft-side" factor in delivering superior client experience today.

As well as a holistic understanding of the client being foundational to progressing relationships beyond the transactional, it also facilitates "proactive outreach" to them, said Anne Grim. This isn't just about being able to offer products and services with confidence that they will appeal, it's about personalising engagement across the board, she said. Knowing the kinds of educational events which will increase clients' peace of mind, or which networking or hospitality events they will appreciate most, is a key proof point of a personalised offering.

"There's a difference between inviting someone who is a die-hard Beyoncé fan to the Beyoncé concert and inviting somebody to whatever the next big concert is that happens to be on at the O2 in London – it's that level of difference," said Ged Brannan. "It's far

more elegant if you can suggest something which is very particular to that client and the only way you can do that is if you capture that information."

> *"Why wouldn't we take those great service principles from other industries and apply them in the wealth management space as well?"*

In fact, using client preference data to better serve clients is a big area in which wealth managers might look to learn from other sectors, said Lisa Worley, pointing to the Amazon model as an example of how data can be used to create a "wow" experience. "Based on the things customers have bought and liked before Amazon comes up with recommendations that they wouldn't have time to research themselves," she said. "Why wouldn't we take those great service principles from other industries and apply them in the wealth management space as well?"

HANDLE WITH CARE

But while in many ways the more information a firm holds on a client the better, the transmission of this throughout the organisation needs to be approached with a firm handle on how sensitive it is, the panellists warned. It is one thing for it to be common knowledge that a client is highly interested in private equity investments or is passionate about horticulture, but sharing details of their private lives is quite another.

"Discretion and confidentiality are base expectations of clients in our business. There is a physical security component to it which needs to be respected, but also discretion in how information is used," said Grim. "There could be someone, perhaps in a high-profile position, who is going through a divorce – that's not to be gossiped about, it's never to be discussed and that's a core ethical behaviour that is to be respected by everyone who is supporting that client. Then as a firm you need to make sure that only people with a reason to access the information are able to in order to better meet that client's needs."

IN FOCUS: SOFT SKILLS, HARD NUMBERS – CRUCIAL AREAS WHERE BANKERS SHOULD BRUSH UP

Osmond Plummer works as a wealth management trainer internationally, helping bankers with the "soft skills" they need to interact with clients more effectively and develop deeper relationships with them. The views expressed here are of course his own, and may well clash with the experiences of others in the industry, but they nevertheless provide lots of food for thought.

Wealth management is emphatically a "people business", where the quality of advisor-client relationships directly impacts the bottom line. Yet, in Plummer's view, most firms are neglecting to develop the soft skills of their bankers and a cultural shift is sorely needed whereby wealth managers recognise that people skills matter just as much as technical expertise.

As things stand at present, certain segments of the wealth management industry seem to be labouring under the misapprehension that bankers are "born not made" – but nothing could be further from the truth, according to Plummer.

Currently the industry is doing "very, very little" in the way of soft skills training and few firms have any budget at all for it, he said. His impression is that many institutions are merely paying lip service to people skills training when in fact "you have to systematise your approach to dealing with wealthy people" and tackle the common areas where bankers fall down.

BEARING BAD TIDINGS

The (natural) tendency of bankers to "hide under the desk" rather than tackle tough phone calls is widely acknowledged, but dealing with bad news scenarios is a core skill which needs to be explicitly taught, said Plummer, adding that his approach is something of a revelation to bankers as he teaches that "the only way to deal with bad news is to be upfront." "Bankers need to be completely 'there' and ideally face-to-face with the client making sure that the client appreciates that they are there to resolve problems, holding their hand," he said.

While conveying bad news is never pleasant, Plummer believes that arming bankers with the requisite skills to do so while minimising any damage to the relationship with the client is crucial to counteracting the human tendency to try to avoid being the bearer of bad tidings. There are many techniques which can "soften the blow" of bad news and knowing these damage limitation measures is a crucial element of the private banker's toolkit. In fact, in Plummer's view, while bad news scenarios can be somewhat of an "acid test" when the banker is at any fault, handling them well actually strengthens relationships. This necessitates bankers first "holding their hands up" to admit to any fault if the bank or banker has made an error and then moving to a swift resolution of the problem – but all the while demonstrating empathy with the client.

> *"If you can give bad news and a solution at the same time then you can actually make it into a good experience"*

"If you've screwed up, then ok you've probably got to take it on the chin and live with it. But if you can give bad news and a solution at the same time then you can actually make it into a good experience," he said. Clearly, a better case is one in which the mistake was someone else's (ideally from outside the company) then bankers can show even more empathy and "be angry too", he continued.

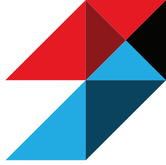
Unfortunately, Plummer's experience is that all too often empathy is distinctly lacking in many bankers' approach to worried clients and that a failure to really feel for clients leads to bankers going to ground. Over the past few years, he has often found it to be the case that while "clients are screaming" because they are concerned about their portfolios their bankers opt not to return their calls. "The banker doesn't want to give bad news so they clam up," Plummer said.

As well as giving bankers the requisite confidence to deal with unfortunate situations, a crucial part of bankers' training is needs discovery and resolution, said Plummer, and key to this is the art of incisive questioning. This really is an art, he explained, since bankers are asking for highly-personal information which touches on clients' most deeply-held values and the intricacies of their family's unique dynamics.

The first point to be made here is that "private bankers talk too much", quipped Plummer, explaining that the "the real skill of private banking is listening - getting clients to open up and talk to you". As such, Plummer believes that one of the main areas of focus when training bankers should be questioning structures and methodologies (like open questions and reflective questions) - in short, which types of questions should be deployed and when.

SOFTLY, SOFTLY

When it comes to questioning techniques, Plummer also places great importance on equipping bankers to question clients sensitively, since, as he points out, you're asking questions like "How much is too much?" when it comes to deciding what children



should inherit. Here, he notes that many UHNW clients are so worried about their children becoming warped that they haven't in fact divulged the true extent of the wealth they stand to inherit.

> *"All you can do with any training is provide the toolbox, it's up to them to open it."*

At a time when clients are increasingly internationally mobile, and firms are expanding from West to East (and vice-versa), cultural sensitivity is another area where bankers often desperately need guidance, said Plummer. He notes, for example, that for Chinese clients it is very bad form to explicitly ask about what they want to happen to their affairs when they die, since this is almost tantamount to *wishing* them dead. Another example is that in the Middle East it is considered impolite to start talking about business matters straight away (and indeed during the month of Ramadan it is altogether off limits).

Bankers need to be equipped to probe clients fully, but in a way that will not cause any offence, explained Plummer, and there are many traps bankers can fall into, such as obliquely questioning the fact that Islamic inheritance practices give precedence to sons over daughters. "You have to be very careful in patriarchal societies," he said.

> *"Senior private bankers tend to be very stuck in their ways"*

Sales skills are obviously another hugely important part of the mix (although private bankers do not like to think of themselves as salespeople), and a lot of what Plummer does is "undoing" previously learnt techniques. Often, people are told to focus on "ABC – Always Be Closing", he said, when in fact this is counterproductive since HNW clients are constantly being sold to and, as a sophisticated segment, "they know what you're doing". He explained that once a client has said no it's often better to beat a retreat and either go to a "Plan B" or wait for the next selling opportunity as the psychology of indebtedness dictates that clients will be much more likely to say yes the next time round. He also advocates techniques like "creating a club" whereby bankers will say something along the lines of "Our other clients like you have found this interesting, would you like to know why?" This way, clients are made to feel that they want to join their peer group and they are the ones asking the questions – a non-threatening and more engaging way of selling.

The psychology of questioning and sales techniques – and indeed "the psychology of wealth" as a whole – is complex. Plummer therefore spends a lot of training time unpicking how things should be presented to clients and the language bankers should deploy to do this. However, he believes that the rewards generated from soft skills training in terms of client satisfaction (and therefore retention, recommendations and increased wallet share) are compelling.

PUTTING A PROGRAMME IN PLACE

So what should an ideal soft skills training programme look like? To start with, it is not as onerous as one might think, Plummer explained, but it has to be followed through. He believes that a three-day training programme is ideal and that this should then be followed up with "refresher" afternoon or morning after six months to discuss what is working for bankers. The emphasis also has to be on demonstration and active discussion rather than bombarding bankers with handouts. Instead, role plays should be an integral part of a soft skills training programme and wherever possible these should be video recorded and workshopped in small groups, said Plummer.

This element of public critique also ensures that training participants are engaged and not merely "going through the motions", explained Plummer. Sadly, he reports that securing staff buy-in for soft skills training initiatives can sometimes be quite difficult, particularly with veteran private bankers who believe that they already know everything that they need to. "Senior private bankers tend to be very stuck in their ways," he said. Securing buy-in from senior staff is however crucial to the success of any training initiative, he went on to explain, since as with any initiative it has to be seen to be coming down from the top. If junior bankers are put through soft skills training first then senior bankers will conclude that "it's not for me", said Plummer, adding that senior management must show that they too are "willing to change and willing to consider that they might need to". This is however "rare at the senior end", he believes.

> *"Soft skills are the bits bankers need more than anything because anyone can learn about finance, anyone can learn how a portfolio works"*

As a wealth management trainer, Plummer naturally wishes that the industry as a whole would adopt soft skills training more rapidly. He would also like see an improvement in how firms approach the post-training phase of the process, which he believes is generally "poorly managed". In his view, at present the soft skills side of things is "virtually ignored" in performance reviews (and indeed recruitment) in favour of financial results. This is arguably a deeply ironic state of affairs since soft skills are of fundamental importance to the amount of business bankers are able to write.

It might not be what industry professionals want to hear, but Plummer believes that "soft skills are the bits bankers need more than anything because anyone can learn about finance, anyone can learn how a portfolio works". He has in fact been doing a lot of work recently with Chinese institutions, which are said to be struggling to find enough quality bankers to cope with the country's burgeoning HNW population. Perhaps a little controversially, he said that he suggests these institutions "go to the best restaurants in Beijing and Shanghai and get the head waiter...you can teach them about finance and they will already know how to do all the client stuff because they've got those people skills".

> *"You can make private bankers; you can train people if they are determined and prepared to commit to the process and consider changing the way they do things "*

The phrase "bankers are born, not made" is one often aired in the wealth management industry, in reference to the fact that private bankers need to have a distinct mix of personal attributes – in addition to technical expertise – to really succeed. For his part, Plummer believes that nothing could be further from the truth and it is entirely possible to imbue the characteristics private bankers need to evince in their interactions with clients if they are motivated to learn and change: bankers can indeed be "made", as long as the individuals concerned are open to new ideas.

"You can make private bankers; you can train people if they are determined and prepared to commit to the process and consider changing the way they do things – then you can make a difference. However, if someone says 'This is a waste of time, I don't know what I'm doing here', then it will be a waste of time," Plummer said.

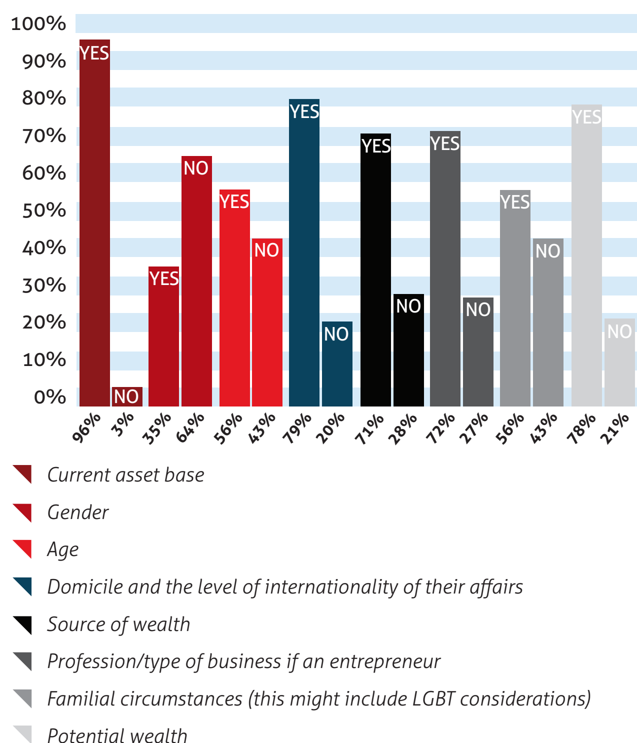
"All you can do with any training is provide the toolbox, it's up to them to open it."

SECTION 2

DESIGNING THE PROPOSITION AROUND CLIENTS

MAKING THE CUT: USING SEGMENTATION TO ENHANCE CLIENT EXPERIENCE

When it comes to segmentation, which of the following profiling factors are taken into consideration at your firm?



The reader survey addressed segmentation by asking wealth management professionals which of a range of profiling factors their firm takes into account when segmenting clients. Predictably, virtually all (96 per cent) use current asset base, while domicile and the level of internationality of clients' affairs are taken into account by 79 per cent of firms. The third most-considered factor was potential wealth, at 78 per cent.

Slightly less frequently considered were profession/type of business (72 per cent) and source of wealth (71 per cent). 56 per cent take age into account, and the same proportion consider familial circumstances. Gender is a factor at only 35 per cent of institutions.

While this certainly does not represent an exhaustive list of all the factors firms might want to take into account, the findings do reveal interesting disparities between common practice and what is arguably common sense. The contributors to this report were, for example, very surprised that age, familial circumstances and gender are not given more consideration as part of formal segmentation.

NEGLECTED FACTORS

Age is about more than clients' advisor preferences, although this might be a factor. Rather, it is about stage of life and where a client is on their "wealth journey" – therefore ignoring it impedes forming a complete picture of the client and their needs.

Bruce Weatherill said such an approach "isn't really segmentation at all as each client has different experiences and this needs to be reflected in their investment objectives." Clients' investment decisions are driven by life events and age can be an important prompt for discussions: for example, a middle-aged client might need to fund a child's university education soon. Weatherill also pointed out that their pension is often a client's biggest pot of wealth and that their age will have a massive impact on their risk profile as they grapple with the amount of risk they need to take on in order to sustain their lifestyle long term. Age also takes the conversation into crucial areas like inheritance planning, he said.

The panellists were equally convinced that gender should be addressed, not as a defining feature but as a factor which will likely impact on a whole range of other issues. Female professionals might, for example, need to take career breaks for maternity leave; equally, women typically live longer than men. Various studies have also revealed that as investors women tend to behave differently to men, as well as exhibiting very different attitudes towards risk and even underperformance. Considering gender is also about client preferences, the panellists noted, and while firms should never be reductive, their client discovery process should address, for example, if a client would feel more comfortable with a female advisor.

"I personally think that it's very important that a client's gender is taken into account – it doesn't necessarily mean that you should treat them differently, but you should at least ask them how they want to be treated," said Weatherill.

The neglect of familial circumstances was also heavily criticised, with one contributor saying it is "mad" that this isn't taken more into account. It was said that although this will be addressed in conversations around inheritance planning etc, it is preferable to get a handle on family dynamics early on in the relationship. For some clients, familial circumstances are key: LGBT clients in the US are subject to disparate state and federal rules around estate planning, for example. Familial circumstances will also be a big part of what motivates clients, and with families today tending to be more complex it is hard to see how holistic wealth advice can be given without understanding exactly how things stand.

"I personally think that it's very important that a client's gender is taken into account – it doesn't necessarily mean that you should treat them differently, but you should at least ask them how they want to be treated"

MOVING WITH THE TIMES

Several contributors suggested that the relative neglect of age, gender and familial circumstances in profiling could be seen as a failure to move with the times and look beyond what used to be the "typical" profile of a wealth management client. The reality is that the HNW segment is more diverse than ever now; what is more, there is a vast amount of untapped wealth out there - Scorpio Partnership estimates $11 trillion - and these new clients might be very different to the historical archetype.

"At the moment wealth management doesn't think outside of the box," said Catherine Tillotson, "It needs to be asking 'What other client profiles are out there, and how do we tweak what we do to appeal to other people?'"

This comment underscores just how important the profile of the client base is to business strategy, from the formulation of products and services to brand positioning. However, another strong message was that segmentation needs to be approached first and foremost as a way to improve client experience.

"Segmentation shouldn't be used because it's good for the institution, it ought to be because it's good for the client," said Weatherill, explaining that too often clients are confined to a certain segment because it is economically efficient for the institution. He added that due to this often clients aren't even told that they have been segmented, despite the fact that if it is done properly "clients like it because it means the offering is tailored towards them".

An example Weatherill gave of when segmentation really works is with certain professions like accountancy and investment banking, where clients' investment habits will be dictated by fixed bonus payout periods. This way, firms can ensure that they are having conversations with clients at the right time, he said. Here, we can see how very granular segmentation is a good thing for both client and firm. On the other hand, firms need to be aware of several segmentation pitfalls which might impede the delivery of a great client experience.

COMMON PITFALLS

Segmentation is good in terms of operational efficiency, but firms need to carefully work out where to draw the lines and weight a range of profiling factors. They also need to avoid pigeonholing clients on the basis of typical profiling priorities like asset base and geography. This has a tendency to "over-homogenise clients" and could lead to their unique needs and aspirations being overlooked, said Anne Grim.

> *"I think if we ever get to a point where we're saying 'we know them' and we're not asking, we will miss opportunities"*

The contributors view segmentation as an ongoing process, both to enhance the client experience and to ensure that the institution doesn't miss out on opportunities to engage with clients and do more business with them. "I think if we ever get to a point where we're saying 'we know them' and we're not *asking*, we will miss opportunities," said Grim. "Like any relationship, it's not just 'once and done'– it develops and evolves over time by understanding that person more deeply."

Weatherill added that "clients have got to move between segments, and not be stuck in them", since their profile could change quite radically over time. Client-advisor chemistry will also evolve, but relationship managers can be reluctant to relinquish clients "even when it's clearly in the client's best interests", he said. "Clients hate being owned", he continued, meaning that flexibility in how clients are served, and by whom, is key.

FRESH APPROACHES

While wealth managers focus on factors like asset base and location for good reason, the contributors to this report pointed to a range of other relevant factors (if not segmentation criteria per se), one of which was mindset. According to Tillotson, "the things that really matter are age, geography and behavioural profile if you actually want to know what drives customer expectations."

In this regard, Scorpio Partnership sees the work being done by Barclays Wealth and Investment Management (and others) around behavioural finance as "absolutely right". Barclays has said its behavioural finance process generates "a high-resolution picture of each client's individual needs, attitudes, and circumstances" – a level of detail it sees as crucial to ensuring, for example, that clients have a psychologically "comfortable" investment journey.

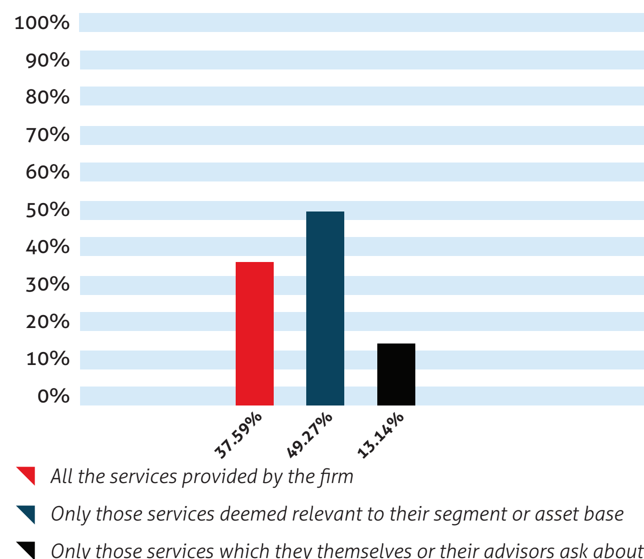
Grim also pointed out that behavioural profile is important when it comes to the *style* of relationship a client wants. "Rather than our being all-knowing in what the relationship management approach needs to look like, we really should let that be steered more by the client need and choice," she said, pointing out that clients would not appreciate being forced into a relationship-managed approach if they would prefer a lighter touch or to be more self-directed.

As Tillotson notes, different things in the customer journey are important to different types of people. The difficulty of understanding these differences is what makes really effective segmentation a challenge, but this is also where its value lies. "If you think about what segmentation actually means, segmentation is to make sure that you are taking the right products and services to the right customer more often," said Tillotson. If firms can ensure they're segmenting clients along the right lines in the first instance, and then target these clients more accurately as a result, it seems indisputable that they will increase the amount of business they do with them.

USING SEGMENTATION TO OFFER THE RIGHT PRODUCTS AND SERVICES

Effective segmentation helps firms put the right people, products and services in front of clients more of the time – creating a better experience for them and more opportunities to do business. So how are wealth managers using segmentation to tailor their offerings?

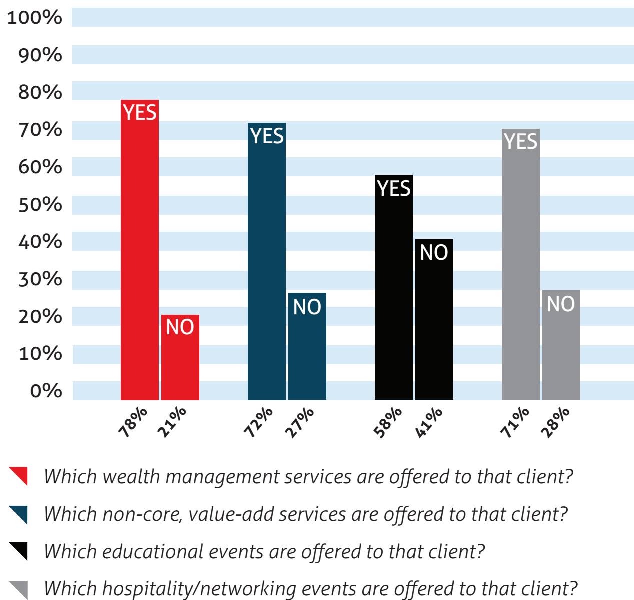
The respondents to the reader survey were asked about the effect segmentation has on the services offered to clients, in an attempt to gauge the extent to which a client's main "label" dictates the trajectory of their relationship journey.



The reader survey revealed that when onboarding new clients 49 per cent of firms only explain/offer to them those services which are deemed relevant to their segment or asset base. On the one hand this might be seen as taking a rather narrow view of clients' needs at too early a stage; on the other such firms would likely say that they are focusing on relevancy and client need. Meanwhile, 38 per cent of firms explain to new clients *all* the services they offer, but although this could lead to the discovery of unforeseen opportunities to do more business there is also a risk of

unnecessary information overload in this approach. The remaining 13 per cent of firms which only explain/offer those services which clients themselves (or their advisors) ask about might be taking a nicely client-led approach but this assumes that clients know what they need from the off. A "soft-sell" approach which is too passive could also see firms miss out on wallet share.

Does the "main" segment a client falls into dictate:



Which wealth management services are offered to that client?

Which non-core, value-add services are offered to that client?

Which educational events are offered to that client?

Which hospitality/networking events are offered to that client?

The survey also addressed to what extent a client's segment dictates the services and value-adds which are offered to them on an ongoing basis. As might perhaps be expected, the provision of core services is dictated by segment to a slighty greater degree than value-adds: 78 per cent reported that a client's "main" segment dictates which wealth management services are offered to them, while 72 per cent said that this prescribes which non-core, value-add services are tabled. Segment dictates which hospitality and networking events are offered at 71 per cent of firms, while educational events seem to be offered somewhat more widely: the offer of these is dictated by segment at 58 per cent of institutions.

That this is the case was no surprise to the executives interviewed for this report, since of course some wealth management services, like complex trusts, are only really applicable to higher-value clients; certain philanthropic services like the establishment of foundations are also the preserve of the UHNW. However, the panellists warned against missing out on business and engagement opportunities because the way a client has been segmented is not quite right, or because their profile has changed over time.

> *"Most private banks still go by asset size with the bank as opposed to the entire asset value of the client"*

One way in which this might happen is if firms only take into account the assets a client holds with the institution and not the "away assets" managed elsewhere. "Most private banks still go by asset size *with the bank* as opposed to the entire asset value of the client," said Osmond Plummer. HNW clients are multi-banked in the main (it is estimated that on average those in Western Europe have around three relationships), and, as Plummer notes, "you don't give all your assets to a bank on day one".

FLEXIBILITY

Entrepreneurial client numbers are on the rise and this is probably a main driver of the fact that that the survey found that 78 per cent of institutions consider potential wealth when segmenting clients. Potential wealth might not actually change the segment a client is assigned, but it might mean that an institution might want to be flexible over things like hospitality and value-added services in some cases.

Plummer says, for example, that firms could certainly think about inviting specific clients "with potential" to events for which they might not usually qualify. However, from a profitability perspective there has to be a limit to this, and he cautions that once firms have said 'yes' to it, it will be much more difficult to say no thereafter. "This is why there's a tendency to move away from providing the extras until there's actually enough money in there," he said. The fact that hospitality events are in part intended to reward clients for doing business with the firm is another reason why firms might be quite selective in this regard.

> *"Segmentation should be a tool. Clearly it's important because lots of products and services will be more applicable for some clients, but it's about using segmentation to better serve your client rather than constraining your client because they are in that area"*

For segmentation to achieve its core aim - taking the right products and services to the right customer more often - then it needs to be flexible (although not so much so that the efficiency benefits it offers are negated). Segmentation helps firms to determine how relevant a particular product, service or opportunity will be to a client. However, as the experts pointed out, the factor on which this relevancy will hang might not be related to what is seen as the primary element of a client's profile. For example, while the survey showed that "profession/type of business" is considered by only 72 per cent of firms in segmentation, this may in fact be the best basis for deciding whether to offer a particular service, product or opportunity. As discussed in the case study on page 21, the proximity of internet entrepreneurs to the private equity industry makes it "an inevitable step when it comes to selecting future investment activities". This will affect the types of other investments these clients should be offered (which will need to mitigate the risks around PE investments); it will probably have a big effect on the type of networking events they will be interested in attending too.

It could therefore be argued that rather than being a labelling system, segmentation should be seen more as a "decision engine" where the importance of various criteria can be dialled up or down depending on the product, service or other opportunity under consideration.

"Segmentation should be a tool. Clearly it's important because lots of products and services will be more applicable for some clients, but it's about using segmentation to better serve your client rather than constraining your client because they are in that area," said Weatherill.

IN FOCUS: THE RISE OF THE INTERNET ENTREPRENEUR IN EUROPE

Pamela Barbaglia, senior financial reporter and head of technology coverage at wealthmonitor, discusses the preferences of one of Europe's hottest HNW growth sectors: internet millionaires.

The latest figures from your report *The Internet Sector: 2012 In Review* suggest that internet entrepreneurs pocketed nearly £17 billion in 2012. What signals are you getting from wealth management firms that they are really tracking the growth of internet entrepreneurship as a growing source of new clients?

Europe's internet market remains a fraction of the size of that in Silicon Valley. But in the midst of the economic downturn, Europe's entrepreneurial spirit is growing stronger as young managers are engaging in low-capex businesses spanning from e-commerce platforms to social networks.

Wealth managers are positively reacting to a generation of talented entrepreneurs who have given up full-time jobs at a time when most EU countries were slipping into recession. In Southern Europe, many internet entrepreneurs have decided to invest in their own projects as a consequence of the sluggish economy. Many high-skilled unexploited talents in Italy and Spain have little alternative to focusing on their own digital initiatives, making a virtue of necessity, but in the UK and the Nordics there is a more established trend of internet-related entrepreneurships, as shown by the likes of Skype and Autonomy, which fell prey to US corporations in recent years.

Entrepreneurs in Germany, the UK and France accounted for most of the £17 billion figure. Are you seeing wealth management firms in those countries specifically ramping up their efforts to attract internet entrepreneurs?

Wealth managers have cautiously tapped into what was initially perceived as another internet bubble. There are still concerns over the sustainability of internet companies as memories of the Facebook IPO fiasco remain vivid. Yet, we're seeing more action among wealth managers to engage with internet entrepreneurs in Europe's strongest geographies such as the UK and Germany.

Roughly what proportion of the new wealth being created in the EU is related to internet entrepreneurship? What are other "hot" sectors?

Europe's technology market is valued at $5 billion. On average around 200 EU companies a year raise $5 million or more from venture capitalists and private equity investors, as opposed to 1,400 such deals in the US, the technology market of which is valued at $25 billion. Besides the internet world, medical technologies and clean technologies are increasingly seen as attractive investment areas. As the population ages, scientists are also developing tech platforms to study DNA and provide tailored medicine for specific genetic profiles, which is also knows as genomics.

Do you think that it's often the case that such clients continue in their entrepreneurial efforts even after a significant liquidity event? How does this impact on wealth management firms' strategies?

The internet sector has produced the highest number of serial entrepreneurs, who typically establish multiple start-ups before joining a venture capital fund and supporting other entrepreneurs. The internet cycle and rapid execution of liquidity events demands a strong network of banking contacts for wealth managers. But the beauty, and challenge, of the internet industry lies in its dynamic nature – and this makes entrepreneurs more inclined to being active rather than passive investors.

In your experience, do entrepreneurs (and specifically tech ones) have any clear preferences when it comes to any element of their wealth management provision?

Tech entrepreneurs have strongly relied on venture capital rounds to sustain their businesses, particularly in the first couple of years since their inception. In addition, the majority of liquidity events in this industry are closely connected to a private equity buyout. The proximity of internet entrepreneurs to the private equity industry makes it an inevitable step when it comes to selecting future investment activities.

> *"Wealth management specialists facing poor IT resources need to implement their tech capabilities before tapping into a portfolio of young tech-savvy entrepreneurs whose wealth is entirely dependent on digital innovation"*

Do you have any feelings as to the kind of wealth management firms internet entrepreneurs will want to deal with?

Internet entrepreneurs tend to show higher levels of involvement when it comes to wealth management. They can be initially reluctant to delegate day-to-day wealth administration tasks and would keep a close eye on the financial performance of their investment portfolios rather than instantly relying on the expertise of others. This comes as a new challenge for wealth advisors that are typically focusing on families with long-established wealth and long-term investment horizons. In fact, internet entrepreneurs tend to be reluctant when it comes to extending their investment time frame beyond five or ten years.

Is it your view that internet entrepreneurs tend to be younger than the "typical" Western wealth management client? What effect do you think this should have on wealth management firms' strategies for both attracting and serving such clients?

Internet entrepreneurs in Europe are typically aged between 30 and 40, and they tend to execute their first liquidity event in their early 40s. These are individuals with high ambitions, great risk appetite and a sturdy sense of self-confidence. The sale of their first business is almost seen as a loss of identity and they are often reckless when it comes to embarking on new high-risk projects. Wealth strategists often need to mitigate this risk by diversifying investments in various areas including real estate, private equity and emerging markets etc.

Many commentators hold that in general private clients are under-served technologically. Do you think that poor technology provision is a real barrier to attracting these sorts of clients?

Wealth management specialists facing poor IT resources need to implement their tech capabilities before tapping into a portfolio of young tech-savvy entrepreneurs whose wealth is entirely dependent on digital innovation. Needless to say, technology is critical to these sorts of clients, not only as a way of doing business but also as a vehicle to communicate with and relate to the world.

When it comes to segmenting wealth management clients, often the broad "entrepreneur" label is used. Do you think it's important to be even more granular and segment entrepreneurs according to type of business?

There is nothing more fragmented than the internet world, where everyone wants to be recognised as a pioneer in a new business area. From crowd-sourcing to social media tools, there are many niche areas where internet entrepreneurs are laying down strong foundations for building wealth. And these are areas that wealth strategists should understand and address with ad-hoc plans.

Do you think that Asian wealth management firms have a lot to teach those in the West about how to serve entrepreneurs, and specifically technology entrepreneurs?

US wealth management firms would be in a better position to show European wealth specialists how to structure professional relationships with internet entrepreneurs. Although the wealth management process itself is well-known to European firms, the very nature of the internet industry – which was born in the US and has a highly entrepreneurial DNA – has so far presented US wealth strategists with the most attractive opportunities.

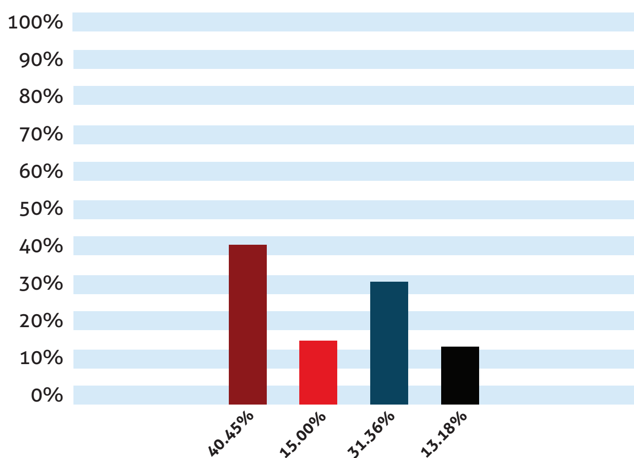
The shift away from inherited wealth to entrepreneurial wealth among the global HNW population has been well documented in recent years. Do you think this change has "bedded down" properly yet in the mindset of the wealth management industry?

The fast erosion of family wealth in Europe has put entrepreneurial wealth in the spotlight. But macroeconomic conditions in Europe are still making it difficult for wealth strategists to address self-made entrepreneurs who have built recession-proof businesses and are experiencing a transition in life. Such entrepreneurs are facing a big question – "What comes next?" – and are typically seeking advice in a variety of financial areas other than tax and estate planning.

PRODUCT AND SERVICE DEVELOPMENT: ANTICIPATING CLIENT DEMAND

As well as gauging performance on service and satisfaction, client insight initiatives are also crucial in helping firms identify demand for products and services. Being reactive to emerging needs and desires - and trying to anticipate them where possible – not only creates more opportunities to do business but also sends a powerful message that the client is at the centre of everything the institution does.

When it comes to service provision, what best describes current practice at your firm?



- *It is **proactive** in developing new products and services to meet emerging needs*
- *It is **very reactive**, and adds products and services on demand (within reason)*
- *It is **somewhat reactive**, taking account of emerging needs wherever possible*
- *It can be **somewhat slow-moving** in responding to changing client needs*

But while 40 per cent of the survey respondents would describe their firm as "proactive in developing new products and services to meet emerging needs", the rest seem to be spread out along what we might call a "reactivity continuum": 15 per cent said their firm is "very reactive, and adds products and services on demand"; 31 per cent opted for "somewhat reactive, taking account of emerging needs wherever possible"; and the remaining 13 per cent chose "somewhat slow-moving in responding to changing client needs".

Proactively developing their offerings in anticipation of emerging demands should certainly be a priority for wealth managers, but clearly they should not misinterpret this as hard-selling new products and services which the institution has created for its own purposes. Innovation is certainly a good thing, but only if it is rooted in client need, the panellists warned.

In unpicking just how proactive the industry should be aiming to be, Lisa Worley suggested that there is a key differentiation to be made between the development of new products and services. In her view developing products to meet short-term needs is about correctly reading the client base's needs and "coming up with the right solution at the right time" – being reactive. Services are where firms need to be focusing their *proactive* effort.

> *"You can either wait to be asked to solve a problem or you can try to anticipate what the client's needs will be and design solutions accordingly"*

"If I think about services I think more about solutions to meet clients' goals and problems, and you can either wait to be asked to solve a problem or you can try to anticipate what the client's needs will be and design solutions accordingly," Worley said.

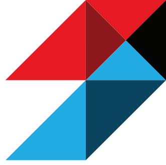
Speaking more broadly, firms need to strike a balance between being reactive to clients' needs and desires, and trying to anticipate them, Worley said. Here the need for a robust insight programme is clear because examples abound of firms slightly mis-reading their client bases, it was pointed out.

That said, the development of new products and services is a must if the industry is to tap emerging client segments. "At the moment wealth management is only really catering for one profile," said Catherine Tillotson, referring to the over-40, European or US male client archetype. In its work on segmentation, Scorpio Partnership has observed striking differences in how much the various stages in the client experience matter to different types of client, she said. In this regard institutions need to have the fact that every market is different firmly in mind because "where somebody comes from is actually a big determiner of preferences", she continued.

STRIKING DIFFERENCES

Research has indeed revealed wide differences in the attitudes and investment habits of clients geographically, as well as on the basis of gender, age and even sexual orientation. A recent study by Wells Fargo revealed that the Lesbian, Gay, Bisexual and Transgender community in the US has a higher median savings rate than the general population, and is better prepared for retirement, for example. Firms should also be very wary of making generalisations across regions, as demonstrated by a February 2013 study by the Liechenstein-headquartered private banking group LGT which found that the popularity of shares varies widely in Asia - the proportion of assets (excluding cash) invested in shares was 61 per cent in Hong Kong but only 47 per cent in Singapore. Many regard Chinese clients as generally more open to equities, while fixed income is more popular in other Asian markets.

While firms must certainly proactively innovate to grow and keep meeting clients' needs, the potential to make a costly error is clear.



New products and services must be designed to be relevant first and foremost, and then should be marketed to segments (or indeed sub-segments) where they will clearly add value. According to Ian Woodhouse, director within PwC's EMEA global private banking practice, the historical approach which looked at multiple geographies, client segments and product and services in a fragmented way must change going forward.

His view is that most institutions need to better manage delivery of client experience and it will become more important to understand the returns from client segments with the costs to serve them.

"Otherwise, institutions risk under-servicing or over-servicing segments, which could have unintended consequences. Under-servicing can dilute client impact and could deliver a poor client conduct outcome - which is increasingly what regulators will be monitoring - and over-servicing will impact profitability," Woodhouse said.

IN FOCUS: TWO ESOTERIC VALUE-ADDED OFFERINGS

LOMBARD ODIER – HELPING PHILANTHROPISTS CONTRIBUTE TO THE FIGHT AGAINST CANCER

Lombard Odier & Cie, the Swiss private bank, marked World Cancer Day (4 February 2013) with the release of a guide intended to help philanthropists donate to cancer charities more effectively.

Lombard Odier's guide is intended to help orientate clients in what can be a confusing charitable landscape, and was launched after many of the bank's clients expressed concerns to the philanthropy advisory team that although they wanted to help in the fight against cancer they were unsure about how to do so. The bank also plans further guides for other charitable concerns.

Karin Jestin, head of philanthropy at Lombard Odier & Cie, explains further:

What proportion of your clients who could be classified as philanthropists express an interest in cancer charities? Would you say that it is one of their "favourite" causes in general?

Our donors are interested in a wide range of topics, spanning from humanitarian relief to wildlife protection. Cancer, however, is becoming a concern for a growing number of the donors we advise. This is not surprising, considering that one out of three people will develop some sort of cancer during their lives. The urge to give is greater when we are personally affected and the fight against cancer is one of the major interests among philanthropists.

> *"The urge to give is greater when we are personally affected and the fight against cancer is one of the major interests among philanthropists"*

What have you had in the way of client feedback on the guide? Has it given clients extra confidence that their donations are being used effectively?

While it's too early to assess its impact on donors we have received enthusiastic feedback, both from donors, experts and other intermediaries. While it intentionally does not give recommendations as to specific organisations or projects, it helps donors understand the landscape of this issue, and identify which area of intervention suits them best, according to their values, ambitions and personal preferences.

Does the bank do anything in the way of philanthropic networks (or does it intend to)? How does the guide interconnect with this?

We believe that collaboration and knowledge-sharing are key in improving the social impact of philanthropic giving. This is why we offer to our donors the opportunity to meet with other philanthropists active in the same, or in complementary, issues, in order for them to exchange advice and experiences. Often we don't have to look far: the partners of our bank all have strong family traditions in philanthropy and are donors themselves, engaged in a variety of different fields, and they are all eager to share their experiences with our clients. Moreover, both Fondation Philanthropia, the umbrella foundation we offer our clients, or the corporate vehicle Fondation Lombard Odier, are members of SwissFoundations and of the European Foundation Center, which further facilitates dialogues with other donors.

> *"Embarking together with a client on a philanthropic journey is an experience that inevitably enriches the relationship and makes it much more personal"*

Do you view philanthropic projects as a good way to deepen relationships with clients? Do you plan any educational events on the subject of "impact philanthropy"?

Embarking together with a client on a philanthropic journey is an experience that inevitably enriches the relationship and makes it much more personal. Philanthropy implies a sharing of values and ambitions, but also of strong personal experiences, like the loss of a loved one or a life-changing moment. We also regularly hold events and conferences with key activists such as Yves Daccord, director general of the International Committee of the Red Cross, and integrate philanthropy into our events tailored for the next generation.

What other charitable themes will the bank be tackling with its philanthropy guides?

We envisage a series of thematic publications to help guide donors in their giving, covering interesting initiatives such as:

- Supporting disadvantaged youths, by promoting education and health.
- Protecting the environment through traditional species conservation efforts, as well as ecosystem-based management, and advocacy and awareness-raising activities.

How important do you think it is for clients to feel that their donations are making the maximum impact? Are you seeing a marked trend towards impact philanthropy/giving while living?

A new generation of philanthropists is emerging - one that is younger, brings business approaches to the table, and is keen to make sure that their giving has a real impact. This is also why more and more donors are eager to engage personally in their giving. Philanthropy today is not merely a matter of signing a cheque - it's about donating time and expertise, lending your critical mind, opening doors, making connections, and managing their assets accordingly. What philanthropists are realising is that personal engagement makes financial support more powerful.

ART ADVISORY SERVICES AT SCHRODERS PRIVATE BANKING

Schroders Private Banking launched its art advisory service in 1990. The offering comprises a wide range of services for clients who are either buying or selling pieces, or who are looking for a place to store or exhibit valuable works. The department will additionally perform valuations, suggest possible acquisitions and advise

clients on the right time to buy or sell. If desired, the bank will also represent its clients at auctions and handle negotiations, providing end-to-end assistance on art deals. The bank's art advisory services are a value-add which are already covered by general fees.

Manou de Kerchove, head of Schroders Private Banking's art advisory department, explains further:

The art advisory service was launched in 1990. What was the rationale behind that?

The art advisory service was launched in 1990 by our CEO Luc Denis. He saw a growing demand from clients who wished to borrow money using their artworks as collateral. Art was booming in the 1980s and Japanese collectors were particularly active during these "golden years". The art market experienced a collapse linked to the financial crash in the late 1980s and early 1990s, so today's market is certainly more complex. As a result we no longer allow artworks to be used as collateral.

Is the team comprised of solely bank staff or are outside experts used?

The art advisory team is made up solely of bank staff with an education in art. Where necessary, outside experts may be consulted for additional expertise.

To date, to what extent have clients drawn on the service? What kind of feedback have clients given?

During its 22-year operation period, the department has gained a very valuable network from which our clients take full benefit. Clients appreciate our independent and professional advice on the art market and feel reassured by it. They know that we solely advise them to their benefit, as we are under no pressure to buy or sell. Another key factor is that our nominee services allow our clients to remain anonymous.

> *"The department is not an art gallery or an art dealer and has no commercial interest in any of the art transactions that may occur. It merely provides a service to clients, allowing us to advise them in their best interests"*

Do you see the art advisory service as a real differentiator?

The fundamental difference is the objectivity of the advice provided to the client. The department is not an art gallery or an art dealer and has no commercial interest in any of the art transactions that may occur. It merely provides a service to clients, allowing us to advise them in their best interests.

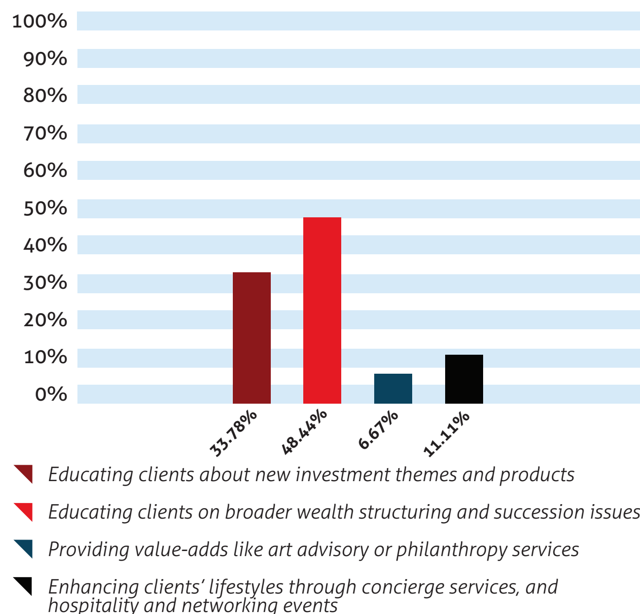
What other benefits does your art advisory service offer your clients?

We offer the possibility of unlimited storage for our clients' artworks in our warehouse at the Geneva Freeport, which is tax-free. The Freeport offers ideal storage with security and climatic conditions that have been scientifically studied.

WHICH VALUE-ADDS ADD MOST VALUE?

Since the survey found that a third of wealth management professionals believe clients want their wealth manager to function as a "holistic facilitator for the life goals of them and their family, both financial and non-financial", it follows that firms should be looking beyond core wealth management services to enhance client experience and differentiate themselves from their peers. So where are firms focusing their efforts, and what value-adds do front-line professionals believe clients appreciate most?

In addition to providing "pure" wealth management services, which of the following offerings does your firm focus most on providing?



Educating clients about new investment themes and products

Educating clients on broader wealth structuring and succession issues

Providing value-adds like art advisory or philanthropy services

Enhancing clients' lifestyles through concierge services, and hospitality and networking events

Aside from "pure" wealth management services, educational efforts are clearly firms' priority: 48 per cent of those surveyed said their institution concentrates foremost on educating clients on broader wealth structuring and succession issues, while 34 per cent of firms are focusing on teaching clients about new investment themes and products.

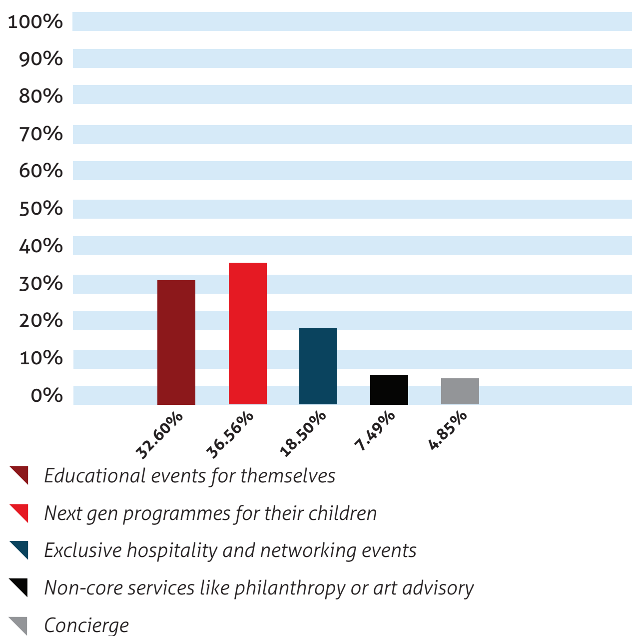
> *"We're helping clients to reveal the hidden personality that affects their investment decisions, and that by understanding their own unique financial personality, Barclays can help them to become better investors"*

This focus on education is well justified on several counts, the panellists said, the first being that this gives the client something they didn't have before which will have long-term, wide-reaching value to them. Taking this point further, Lisa Worley explained that opportunities which help clients to learn about themselves have a particularly enduring value and as such Barclays is seeing increasing demand for its "Financial Personality Assessment". "We're helping clients to reveal the hidden personality that affects their investment decisions, and that by understanding their own unique financial personality, Barclays can help them to become better investors," she said.

MULTIPLE BENEFITS

The second strand of the education piece is providing clients with a "non-salesy" forum to interact with bankers, allowing them to relax and forge personal connections with the wider institution. Educational events are also a powerful brand positioning statement of having wide-ranging expertise. Fourthly, educational efforts empower clients to know that all their wealth bases are covered and can increase their peace of mind. (The gains will be even bigger if the timing of the offer comes from CRM "flags" indicating that a client has a real need because their circumstances have changed). All of these factors account for why 33 per cent of survey respondents believe that educational events are the value-add service clients appreciate the most.

In general, which of the following value-add services do you think clients appreciate the most?



However, it was next generation programmes which came out on top with 37 per cent of the votes on what clients appreciate most. This finding somewhat divided the panellists, with some saying that firms would be better off concentrating on the individual for whom they are managing wealth today, rather than eyeing its eventual transfer. Osmond Plummer said however that next gen programmes will have particular resonance for entrepreneurial clients. "Anyone who has made money is going to be aware of the general problem of the first generation making it, the second generation living on it and the third losing it," he said. "Without doubt this is the value-add these clients will value most."

> *"Anyone who has made money is going to be aware of the general problem of the first generation making it, the second generation living on it and the third losing it"*

If wealth managers are looking to connect with clients on the issues closest to their hearts, then it makes sense for them to help allay concerns over how their children will cope with inheriting wealth and so on. But, as the panellists pointed out, this will arguably only really be a priority for clients at the UHNW level. They also doubted whether next gen programmes would be adding anything new in cases of dynastic wealth. So, next gen programmes could be irrelevant or equally something clients are crying out for. As with the whole range of possible value-adds, deciding whether they would indeed add value is a matter of precisely targeting clearly-defined client segments and markets.

The maturity of the market in question is particularly relevant when it comes to the value of concierge/lifestyle services, the contributors said. This kind of value-add is certainly something firms are doing, since 11 per cent of respondents said that their firm concentrates its efforts on enhancing clients' lifestyles, however the relatively low proportion saying this ties into the fact that only 5 per cent of those surveyed believe this is the value-add clients appreciate most.

LESS MATURE MARKETS

That said, it was pointed out that the opposite might be the case for some segments and markets. Plummer noted that many Russian and Asian firms are providing quite esoteric lifestyle services, such as sourcing leading educational institutions for clients' children or helping them access world-class healthcare. Not only are clients in these markets likely to be newer to wealth, but also "the product offering is far less sophisticated and far less differentiated so firms have got to do something to add more value," said Plummer. "People want that sort of advice and if banks can offer it - for a fee or not - then why not? It's part of differentiation and the 'We're here to look after you' piece."

When it comes to concierge in the West, several contributors warned against wealth managers dabbling in areas in which they are not the experts and some recommended outsourcing as a possible solution. Their broad message was that the wealth manager should be sourcing solutions, if not necessarily providing them. "Clients need to feel that they can pick up the phone to ask you anything as their trusted advisor. They might say 'I need some legal advice, who should I go to?' They don't expect you to know the answer but they expect you to help facilitate the answer for them," said Paula Higgleton. "It's about becoming that focal point for the client." Bruce Weatherill also cautioned that if firms go down the concierge route it should be about *cost-effective* lifestyle facilitation. "HNW individuals still want a reasonable deal but most of the concierge services don't tend to tailor it towards that... you can end up with a rather expensive, not particularly good service," he said.

Networking and hospitality events can also be very tricky to get right but can really boost satisfaction levels, as reflected by the fact that 19 per cent of survey respondents said that these are the value-adds clients appreciate most. Here again, adding value is entirely dependent on knowing the client base and targeting precise profiles like entrepreneurs in related sectors, the panellists said.

"Good networking is all about a meeting of minds, the opportunity to connect with individuals that can bring something to you, by way of stimulating discussion and a different perspective, and that's really valuable," said Worley. "But actually that's one of the hardest things to get right because if you don't really understand your clients and what they want then it's hard to make those pieces deliver value." The same goes for hospitality or client appreciation programmes, she continued, but there also has to be an overlay of real exclusivity to engage cash-rich, time-poor clients who are inundated with invitations. Providing "surprise and delight" experiences which no amount of money can buy and which clients might never have conceived of themselves is the challenge.

Cost considerations are of course central to the business case for value-added services, and it is also difficult to gauge the monetisation of goodwill gains without a very rigorous approach to client insight. Thorough investigation is clearly warranted however, because - as with all elements of the client experience - different things matter to different people. Only 7 per cent of survey respondents said their firm focuses on value-adds like art advisory and philanthropy, probably due to the fact that these offerings are expensive to set up and will have limited appeal to non-UHNW clients. However, it might well be that a client will first engage with a brand on the strength of its expertise in an esoteric area. Furthermore, making a real contribution to a cause like cancer research might actually be a client's "endgame" in terms of what they want their wealth to "do" for them, despite the fact that only 7 per cent of survey respondents believe that these kinds of value-adds are what clients appreciate most.

Even given all of the challenges it presents, many firms clearly see philanthropy as a powerful way of forging tighter relations with clients and their children, while accepting that it can be a "slow burn" in terms of business gains. "In my experience [philanthropy] advice does increase the share of wallet, but it is by no means the primary driver...it is about building on a relationship," said Russell Prior, head of philanthropy for EMEA at HSBC Private Bank.

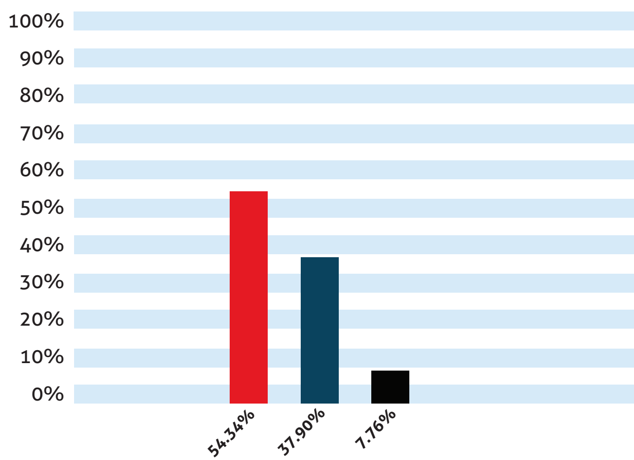
SECTION 3

DELIVERING AGAINST CLIENTS' EXPECTATIONS

COMPARISONS TO OTHER SECTORS, HNW AND BEYOND

There has been an increasing recognition that wealth managers need to be cognisant of the fact that clients will not only compare their service provision to that of peer organisations but also to that of other sectors – those within wider financial and professional services, but also to all manner of other industries serving the HNW.

In general, how well do you think the service levels delivered by wealth managers compares to other HNW service providers (such as those in the luxury hotel/travel, concierge sectors)?



The consensus seems to be that at present the wealth management industry will not come off too well from such a comparison: 54 per cent of the survey respondents believe that, when compared to other HNW service providers, the "wealth management sector trails far behind on service quality". 38 per cent view the wealth management industry's service levels as "broadly similar", while 8 per cent believe that they are actually better.

> *"You have to be able to compete on the overall service and experience that you give and not just the knowledge and advice given to clients"*

That some wealth managers are openly looking to borrow from the service models and principles of the world's leading luxury hotel chains (see page 37) is an encouraging sign of the industry's determination to excel on service. According to Jo Causon, CEO of the Institute of Customer Service, right across the professional services sectors, there is a growing recognition that "you have to be able to compete on the overall service and experience that you give and not just the knowledge and advice given to clients". Accordingly, law firms and consultancies are now engaging much more with her organisation, she added.

As it moves towards codifying service excellence, the wealth management sector is engaging more with a whole range of concepts and practices which were previously thought to be the preserve of those serving the mass consumer. This increased open-mindedness is emphatically a good thing, according to the contributors to this report; moreover, it recognises that points of comparison in HNW clients' minds will come from all manner of sources, right across their lives. "Whilst we might like to think that our clients will compare us to all the other luxury brands I think what they're doing is comparing the best experiences they have," said Ged Brannan. "That best experience might not be with a luxury brand, it might be with Netflix, or it might be with Amazon." (Amazon is of course an acknowledged leader in knowing its customers' preferences.)

Of course, providing "best experiences" has always been a core priority for the wealth management industry and those working within it; lack of will has not been the problem so much as the translation of ethos into systematic manifestation. As Brannan pointed out: "The intent has always been there to deliver an exceptional service for clients but only recently as an industry have we cottoned onto the idea that that means we might need to build some infrastructure behind this to make it happen."

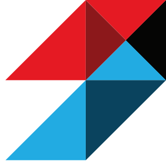
BORROWING BEST PRACTICE

That the industry has perhaps relied too heavily on "sweating the goodwill" of its front-line staff was in fact brought up by several executives interviewed for this report. Infrastructure has to facilitate the delivery of superior service, but this has not always been the case, they said, pointing to the patchwork quilt of legacy technology systems some firms still grapple with. With this in mind, several US firms are borrowing the "gemba walk" concept (from Motorola's "Six Sigma" method of operational improvement), whereby senior managers go throughout the organisation asking employees what infrastructural issues are stopping them from performing optimally.

> *"Whilst we might like to think that our clients will compare us to all the other luxury brands I think what they're doing is comparing the best experiences they have. That best experience might not be with a luxury brand, it might be with Netflix, or it might be with Amazon"*

The contributors to this report mentioned myriad sources of best practice ideas which wealth managers might like to consider as they look to enhance client experience. Lisa Worley lauded Mercedes for the way that it maps the customer life journey to foster a long-term relationship with the brand, along with Apple's "real-time responsiveness" when customers ask for improvements to be made to products. Apple's careful design of its in-store experience also came up as an example of how physical environment should manifest brand values, and several contributors said that perhaps some wealth managers should think more carefully about the design of their offices. "If you visit the offices of the average private bank it will be quite a nice-feeling experience but it doesn't compare to the feel of a five-star hotel," said Osmond Plummer. "Interiors are very important; a lot of private banks still have a feel which is more like a doctor's consulting room than a place to go to relax."

The leading luxury hotel chains are clearly the benchmark of top-level service standards, particularly in areas such as systematically recording client preferences and creating "wow"



experiences (see page 37). However, comparing wealth management too unfavourably with this sector is somewhat unfair on two counts, the contributors said.

First, it needs to be borne in mind that luxury hotel brands have been working on their procedures and service standards for decades already. "They've matured and worked out what works and what doesn't work," said Brannan. But the second, far more important consideration is a fundamental one: wealth managers are not direct service organisations. What they are "selling" primarily is their capabilities in the management of financial affairs, and so while making a client feel good through exceptional service is a key differentiator, this service is *not* the product. It is therefore understandable that firms have hitherto been focusing more on the *what* rather than the *how* of their propositions as the complexity of the services and products they offer has evolved. So while over half of wealth managers might think that wealth management "trails far behind" other HNW sectors on service delivery, this in no way indicative of an industry that hasn't cared.

DESCENT AND DELEVERAGING

Perhaps more controversially, Catherine Tillotson and Seb Dovey said that wealth management clients' dissatisfaction is broadly rooted in the fact that the industry has somewhat "over-pitched" itself in terms of service levels. "When you go through the doors of a private bank there's an expectation that you're going to be treated in some way as special and when that doesn't happen naturally your disappointment is far greater than it would be," said Tillotson. "The expectations in wealth management are set incredibly high. What you need to do is match the expectation against the service delivery."

> *"When you go through the doors of a private bank there's an expectation that you're going to be treated in some way as special and when that doesn't happen naturally your disappointment is far greater than it would be"*

Dovey's view is that this over-pitching has been the mark of the past "blast decade" for the wealth management industry and that the next will be about "descent and deleveraging to make it more realistic". Suffering as it does from cost-income ratios averaging around 80 per cent, this would seem to simply be a commercial reality, and one that will only increase in urgency in light of the myriad disruptive influences on the industry (not to mention the choppy market conditions which are making consistently good returns difficult to find).

According to Dovey, as the industry accepts it needs to be more cost-effective its challenge will be to "get advisors, CEOs and all the rest comfortable with what they might see as a lower level of service". However, he emphasised that "in fact that lower level of service delivery is still substantially good". Client satisfaction isn't predicated on totally bespoke solutions, at least at the lower end; the problem lies in promising too much and then failing to deliver, it would seem.

It is a matter for debate whether firms should lower their sights on service standards or continue to strive to meet the bar set by Ritz-Carlton and the like. What does seem apparent however is that by playing catch-up the industry does have some element of "last mover advantage" in that it can cherry-pick tried and tested best practice ideas from all manner of sources. Arguably, for a highly-traditional industry like wealth management, the fact that it has arrived at a place where it can be open-minded about new approaches - even those from the mass consumer space - is the most important thing.

IN FOCUS: TRAINING ADVISORS TO "WOW" CLIENTS – A US PERSPECTIVE

Michael Silver and Eric Sheikowitz are senior managing partners at Focus Partners, a specialist coaching and consulting organisation launched in 2006 which works with wealth managers "of all shapes and sizes" both in the US and overseas.

Focus Partners' approach to advisor training is "about doing the right things at the right time with the right people," said Sheikowitz, but while this maxim might be neatly memorable, actually adhering to it can be somewhat harder work.

As they move to create a better client experience through improved systems, the first thing which Silver and Sheikowitz ask advisory firms to do is to "get their house in order" and make sure they are segmenting clients effectively. The aim of this segmentation exercise is to "put a very robust, proactive service model in place so that you and your clients are completely aligned and there's transparency over expectations," explained Silver. Managing expectations over things like contact levels is key to client satisfaction, but it also ensures that firms are concentrating their efforts on their most profitable segments. "We like to say treat your clients fairly but not equally, so that's step one: get your service model in place," said Silver.

Their next piece of advice relates to client segmentation, but also to ongoing data management, and that is to perform "very deep profiling" of clients – something which they believe is "critical" but is often not done in any real depth. They advise building a 360-degree view of the client which covers their house of worship, hobbies, charitable interests etc so that advisors can start making connections on a personal relationship level. "This helps to keep that client with you for generations and it's going to open up the door for all sorts of qualified introductions and referrals," said Sheikowitz.

In-depth profiling also generates opportunities to create a "wow" client experience, he continued, explaining that this is "of paramount importance because everything an advisor does should really be to amp up the relationship with the client." But beyond nice touches like greetings cards, he believes that "learning about a client's life is really the be-all and end-all of the game". "They don't just wake up one day and say 'hey I think I need to start investing', they are making financial decisions based upon life events," he said.

Silver also pointed out that poor client discovery can lead to embarrassing - yet preventable - incidents, and we could think here of gifting alcohol to a client who may not drink on medical or religious grounds. Equally an advisor might repeatedly recommend a client dumps an investment which they are actually very emotionally attached to because it was bequeathed to them.

> *"Clients want to believe that the person that they are dealing with really knows and cares about them and their life – that's what a lot of advisors and firms are missing the boat on"*

SHOWING UNDERSTANDING

In Sheikowitz's view, demonstrating this understanding is paramount when dealing with the discerning HNW segment, and so wealth managers should emulate what other luxury brands do from a client experience perspective. "Clients want to believe that the person that they are dealing with really knows and cares about them and their life – that's what a lot of advisors and firms are missing the boat on," he said. Silver also advocates borrowing the Service Level Agreement concept, not only to help manage clients'

expectations but also to help them "palpably perceive the value that they are getting because they are treated a certain way". At present he believes there is "absolutely a disparity" between how clients are generally treated by law firms and luxury retailers on the one hand and wealth managers on the other.

According to Silver, firms need to show much more appreciation of the choices available to clients and adopt the kind of high-end, high-touch, luxury mentality which will keep them coming back.

"You need to create what I call a 'family office feel'. You want to get to the point where you're not necessarily picking up the dry cleaning for your clients, but you have a really good recommendation on who should," Sheikowitz added.

Advisors should also avoid complacency after initial onboarding because at that point "they've won the battle but they haven't won the war," said Silver, explaining that the client's mindset might be much more akin to a quarter-long trial period. "We think that 90-day onboarding period is critical to making sure you own that relationship long term," he said. "It's about a series of different contacts and checklists which not only the advisor but their service and support team can help execute upon to really wow the client 'right out of the box'." Some of the examples he gave include: walking clients through online access; a discussion of their first monthly statement; inviting them to a company conference call; or sending them a little gift just to say "Thanks, we're looking forward to working together".

> *"I often ask advisors what differentiates them and a lot of the time they will say 'my service' ...everyone thinks they are giving client service but it's whether they are really delivering that at the level the client expects and deserves"*

Silver and Sheikowitz acknowledge that a lot of what they are saying is nothing new, but their focus is on transitioning firms from knowing best practice to actually embedding it in business operations. "We don't re-invent the wheel here, it boils down to a couple of things: one of them is accountability – they know this stuff but they're not doing it," said Silver. Another priority is ensuring all parties are aligned on the level of service which is going to be delivered – this too is about accountability and making sure brand promises are fulfilled. "I often ask advisors what differentiates them and a lot of the time they will say 'my service' ...everyone thinks they are giving client service but it's whether they are really delivering that at the level the client expects and deserves," said Silver.

Advisors which make client service the "number one thing in their book" are in fact making a savvy business decision for the long term, in Silver and Sheikowitz's view, and this is because a solid service model can be relied upon, whereas the markets can't. "In the absence of performance, what does an advisor have? It really comes down to service," said Sheikowitz. "Clients are not with an advisor because of performance, because performance comes and goes. They are with advisors for the relationship."

WHAT ARE AREAS OF OPPORTUNITY FOR FIRMS COMMITTED TO DELIVERING A "WOW" CLIENT EXPERIENCE?

It hardly needs to be said that in wealth management client satisfaction will be largely predicated on concrete proof points like investment performance. However, here firms are largely at the mercy of the markets and so it makes sense for them to put significant efforts into elements of client experience they do have control over.

Moreover, it is generally thought that clients are more tolerant of short-term periods of investment underperformance than they are of shoddy service. As such, consistently delivering a superior client experience can act as a useful "buffer" to sustain client loyalty thought periods of lacklustre returns. Client satisfaction in wealth management could then be thought of along tripartite lines of fees, performance and service standards, with service excellence mitigating against the respective upward and downward movements of the former two.

As they move to enhance client experience, there are a whole range of common pain points for clients that firms could look to iron out. However, in thinking about these firms should actually regard them as differentiation opportunities, the contributors pointed out.

WHAT ARE COMMON PAIN POINTS FOR CLIENTS?

A lack of responsiveness

Predictably, the panellists unanimously said that bankers "hiding under the desk" when investments aren't going as well as hoped is to be avoided at all costs (this issue is discussed further on page 16). Clients clearly want to feel that their institution is responsive and accessible to them, and this is not only a matter of respect, but also clients' peace of mind. Establishing and maintaining peace of mind is actually crucial to delivering a great client experience, the contributors said, however it can often be neglected – particularly at the crucial onboarding stage.

Neglecting peace of mind

Ironically, initial onboarding was identified by most of the panellists as a particular pain point for clients. There are many pitfalls which could mar the client experience, but it seems that one of the biggest is a failure to give clients peace of mind at an early stage.

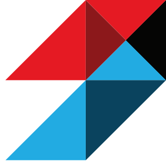
For Mike Moodie, peace of mind actually tops the top-three wishlist of clients (the other two being preservation of wealth and ease of doing business). However, in his view peace of mind is something that firms often try to skate over far too quickly.

Explaining further, Moodie said that the first element of establishing peace of mind is showing the client that the institution understands them and their needs. The second is reinforcing the credibility of the institution by addressing clients' needs in relation to an honest appraisal of what the firm's own strengths (and weaknesses) are. As such, having a portfolio "ready and waiting" for a new client at too early a stage will not satisfy one of their fundamental needs.

According to Moodie, firms which rush through onboarding in a bid to focus on a transaction are limiting - from day one - their ability to establish a long-term, fulfilling relationship with that client. "If you miss the opportunity to connect on peace of mind issues I think you've really set yourself a tough challenge," he said.

IN FOCUS: SERVICE, FEES AND PERFORMANCE – TOP REASONS WHY UK CLIENTS LOOK TO LEAVE

Launched in mid-2012, Findawealthmanager.com is billed as a "consumer-focused matching service that impartially matches wealth managers with potential clients". Firms are matched with prospective clients on the basis of their profile, which is derived from a 20-question multiple-choice questionnaire – including the reasons why they have come to the service. Findawealthmanager.com's founders, Lee Goggin and Dominic Gamble, are therefore well placed to give an overview of client movement trends in the



UK, especially since they report that the data gathered by the service has remained pretty consistent month-on-month.

- Of those who come to the service, 52 per cent are unmanaged, 18 per cent want to diversify and 30 per cent want to leave their current provider.

- The 30 per cent looking to leave their wealth manager break down as follows: 50 per cent say they are unhappy with the service they are receiving; 25 per cent are unhappy about the fees they are charged, and 25 per cent are unhappy with the investment performance they are seeing.

Looking more deeply at those clients who have an issue with their service provision, Goggin reports that around half cite relationship breakdown - either because their advisor has been promoted internally or has moved to another institution. As discussed elsewhere in this report, the suitability of the replacement advisor arranged in this scenario is of the utmost importance.

Broadly speaking, Goggin is unsurprised that service issues outweigh fee and performance considerations in prompting clients to look elsewhere, as he believes that "service is the critical determinant in terms of whether someone goes or stays". Unfortunately, in his view wealth managers often underestimate how important a factor it is.

"To justify their fees wealth managers have to give way better service...performance is a nice to have, and everyone wants good performance, but ultimately it is the service that counts," said Gamble.

Avoidable errors

Anne Grim agreed that clients still need their confidence in the institution to be reinforced even after they have come on board, and so she advises firms to pay particular attention to avoiding administrative foul-ups as these "can undo all the good work of the relationship team and deteriorate the confidence the client has in the institution overall". (This is of course something to be heeded throughout the relationship.)

> *"It's hard to win the clients confidence and advocacy without doing the basics really well"*

As Grim, and several other contributors pointed out, "It's hard to win the clients confidence and advocacy without doing the basics really well". This also means ensuring as smooth an onboarding experience as possible, by avoiding the replication of data gathering, for example. "Clients dislike feeling as though there is a disconnect within the business. Telling their story multiple times, being transferred multiple times, having repeat issues come up all feel as though you're not paying attention to them as a client," said Grim. Avoiding repetition of work is also clearly linked to the "ease of doing business" priority identified by Moodie.

The smooth transfer of assets and efficient completion of regulatory paperwork are key to demonstrating the core competencies of the bank. But common onboarding pitfalls can often be about intangible matters like the chemistry between clients and those assigned to service them.

Initial advisor matching

Several contributors identified better advisor matching as a key area of opportunity. They advised that it is essential to be able to make adjustments early on and that presenting clients with their advisor(s) as a fait accompli is to be avoided. Here, Moodie highlighted the problem of the "relationship gap" (meaning the handoff between those who "hunted" the client and those who will actually serve them) as something wealth managers need to pay particular attention to; all too often clients can suddenly find themselves assigned to an advisor with whom they have had no prior engagement and who might not suit them. He advocates that clients are exposed as early as possible to those who will be part of their service team so that a rapport can be built early on, but also so that any necessary adjustments can be made.

"Sometimes you can see early on that two people just don't click and you need a different set of personalities," Moodie said. "Being able to adjust in the phase where you're determining the client's objectives, setting things up and introducing them to your service team makes for a much smoother onboarding process and continuity."

Taking this further, Gamble noted that some firms are boosting business by paying greater attention to the match between prospects and *potential* advisors in terms of age, personality, profession and so on. "It's pretty conclusive from our side that the wealth managers who we deal with which are very structured in how they delegate referrals around internally have much better conversion rates than the ones which don't do that," he said.

Changing advisors

A clear majority of 59 per cent of survey respondents said that having "personal, long-standing relationships with the firm's staff" is the most important "soft-side" factor in delivering a superior client experience. But while such connections are doubtless the endgame of wealth managers, the contributors said it is also important for clients to feel they can request a change at any time. Clients and their needs (and indeed advisors themselves) change over time, so checking that both clients and advisors think the relationship is still working well needs to be an ongoing process.

Client-advisor matching is also a big issue when advisors leave or are promoted – a pretty frequent occurrence in an industry constantly battling for talent. Here, Goggin pointed out that "a big issue is the firm putting someone wholly inappropriate on the account after the previous relationship manager has built up a really good rapport with the client...the appropriateness of the replacement is a really big issue," he said.

> *"A big issue is the firm putting someone wholly inappropriate on the account after the previous relationship manager has built up a really good rapport with the client"*

In this scenario clients need to be encouraged to flag up their concerns rather than stay silent and simply leave, said Gamble, noting that "clients are often very fearful of complaining, full stop". He therefore advocates empowering clients by taking a very structured approach which emphasises that "complaining doesn't mean that you hate the relationship manager and never want to see them again...it needs to be no big deal".

Maintaining service standards, institution-wide

Whether or not a firm has formal Service Level Agreements in place with clients they will still probably have very firm expectations of how they will be treated, as set up by the brand. While relationship managers might be clients' primary point of contact, they will also be interacting much more widely with the institution. The challenge facing firms is therefore to maintain consistent service standards across all touchpoints with *all* staff. It was even suggested that some clients might value the relationship that they have with contact centre staff as much as they do their actual relationship manager. In this sense, all staff could be said to "own" the client to a degree and so they have to embody brand values in their every interaction with them, even if it is purely administrative.

The industry is perhaps some way from embedding service standards and client experience in performance management for all staff, but a sharing of standards institution-wide seems to be current best practice. More than this, Grim highlighted that firms need to make sure all staff really get the "why" behind their function. "A joined-up approach is a base expectation for clients. Having clarity on who is doing what and the role each person plays in supporting the client is key to a seamless experience," she said.

Reporting

Reporting was identified almost unanimously by the editorial panellists as a major area of disappointment for clients, with one saying, "It's got better over the years, but in general it's still pretty shabby". Their concerns centred on the quality and clarity of reporting, and the fact that reports are often not fit for purpose, in that they don't help clients to get an overview of their assets in the way that is most helpful to them. "Most firms do online reporting but most also do reporting both online and on paper - and this can be in a shockingly poor format," said Gamble. "It's something which has really got left behind in the past couple of years."

> *"Creating a good client experience is mostly around the ability to customise – it's about the personal touch"*

The extent to which reports are customisable is also a concern, not only in terms of level of detail and format, but the extent to which clients are easily able to bring all their global holdings in various currencies back to the currency that is most meaningful to them. "Creating a good client experience is mostly around the ability to customise – it's about the personal touch," said Martin Engdal, director of business development and product marketing at Advent Software, EMEA. "It just gives the client a far better feeling when they can personalise what they're viewing when they log in. They also want the ability to drill into the details."

Consolidated reporting which can amalgamate data from various wealth managers "so that those assets can be treated as part of the overall portfolio" is also something clients really appreciate, noted Peter Dingomal, head of UK business development at Avaloq. Giving clients a complete view of their wealth is clearly important for their peace of mind, but there is another kind of opportunity here too: getting a handle on how "away assets" are being managed and (hopefully) being able to compare favourably.

The good news is that wealth managers do seem to be "on the case" when it comes to reporting. "My experience with wealth managers and private banks is that all of them consider providing clear and customisable reporting to be a major area of differentiation – almost without exception they're always looking at their reporting and how they make that available, whether that be in printed format or whether that be online," said Dingomal.

The need for better reporting actually has much broader significance than at first might appear, and forms a crucial element of the industry's efforts to help *institutions* rather than individual bankers "own" clients. A big part of this is the provision of a better digital platform, including reporting systems, said James Edsberg. He observes a strong trend which is positively disrupting the client-advisor dynamic. "For years, relationship managers had to work hard to cover up service hiccoughs, and to compensate by creating bespoke manual reports for the under-investment by some institutions in their reporting platforms," he said. "Our research now shows that as reporting and IT systems improve, so the bond between an individual relationship manager and the client weakens, and, instead, clients' loyalty to the institution's service experience strengthens. This has potentially profound implications for how a bank invests in different elements of client service delivery and its talent."

IN FOCUS: THE INTERPLAY OF FEES, PERFORMANCE AND SERVICE – A SAMPLE OF VIEWS

While the softer elements of the wealth management proposition are certainly important, firms must ultimately live or die by how effectively they help clients to grow, preserve and eventually transfer their wealth. Fees, investment performance and wealth preservation are inextricably linked to clients' perception of value for money and satisfaction levels, but unpicking how these factors interplay with the overall client experience is a complex task.

> *"Clients always like openness and transparency... regardless of their level of wealth they like to see what they're getting for their money"*

Thanks to the Retail Distribution Review, the UK is at the forefront of a global movement towards greater transparency over what clients pay for the investment products they buy and the advice they receive. Such moves are certainly to be welcomed since, in the words of Paula Higgleton, "clients always like openness and transparency...regardless of their level of wealth they like to see what they're getting for their money".

But of course a client knowing what they are paying is quite distinct to how they *feel* about it. This, the contributors said, will be the result of a complex and in many ways idiosyncratic value calculation. According to Ian Ewart, head of products, services and marketing at Coutts, the question in clients' minds is: "I know what I'm paying, so what am I getting in return for that? Where do I draw the line?"

When considering how these lines are drawn, one crucial factor is the fundamental difference between what clients and institutions see as the valuable parts of the value chain: while firms see things from a cost perspective and will see the value inherent in their infrastructure and systems clients tend to be more output focused. The crux of the matter is that clients (and perhaps the industry as a whole) tend to attempt to tie a fee to performance only, passing over the fact that it also pays for compliance, safety of money, custody and reporting etc (not to mention access to expertise). Taking fee transparency to its logical conclusion, it is perhaps conceivable that in the future firms might separate out all these elements to better align the value perceptions of institutions and clients.

CONTEXT AND COMPARISON

While investment performance is foundational to client satisfaction, the contributors pointed out that this too is subject to complex calculations in clients' minds and that it is not simply a question of them wanting ever higher returns at all.

There is some debate over the extent to which clients and their peers openly compare the investment performance they are seeing against the fees they pay. Ewart believes, for instance, that performance comparisons are more "transaction specific" (around a particular fund or property venture a client may have invested in) rather than for a whole portfolio, however other contributors highlighted that it is human nature for wider comparisons to come up, and this can be a powerful driver of dissatisfaction. As Higgleton pointed out: "Nobody wants to sit at a dinner party with a portfolio that's just plodding along when everyone is talking about how they're getting fantastic returns". This takes on even greater significance if we accept, as several panellists said, that most clients will be paying broadly similar fees regardless of their provider.

It goes without saying however that broader market benchmarks are where clients will really be looking – and this is a double-edged sword. On the one hand clients appreciate the up- and

down-swings of markets and know, in the words of Higgleton, "that if the market is plummeting then you'd have to be a miracle worker for your portfolio to do anything other than head south as well". On the other, clients will generally expect their portfolio to broadly track the market - especially given the preponderance of passive investments in portfolios today - and they will not tolerate underperformance for too long. Ewart's view is that this grace period could be "any one year or perhaps two cycles" but failing to deliver clients' expected investment returns over any longer period will test their patience to breaking point.

It is not just the duration of any underperformance which is important, but also whether a firm can offer a cogent reason for it. If a particular investment represents a long-term, thematic play then clients will mostly tolerate short-term pain, but the downside corollary to this is that when investments are more advice-led clients will look much more closely at them in terms of the value this advice has delivered. "If the advice is good, that's fantastic and they value it, if the advice is bad then they question it," one contributor said.

MORE MODEST EXPECTATIONS

As with so much of the client experience piece, clients' assessment of the value they receive against the fees they pay comes back again to expectation management. Clients must know that a full-service, mainstream wealth manager probably won't "blow the lights out" year after year and will focus instead on wealth preservation and delivering enhanced returns against its benchmarks. Indeed, from a suitability perspective in most instances firms won't - in good regulatory conscience - be able to recommend investments offering high but hyper-risky hedge fund-like returns. "You have to be prudent about how much you would ever recommend a client to invest in something like that," said Ewart. "It then ends up being tiny amounts so there are more efficient ways of them investing their money."

The financial crisis and ongoing global uncertainty have acted to dial down clients' performance expectations compared to previous "boom times". "I tend to find these days that clients aren't that interested in shooting the lights out. They want to beat inflation and if there's a bit more on top then great," said Higgleton. Most clients will be happy with modest, steady returns – what they don't like are big shocks or further costs, the panellists observed. Increased regulation may have made it more expensive to provide wealth management services, but "that doesn't mean that you can charge those clients more, because for the most part they won't take more," added Ewart.

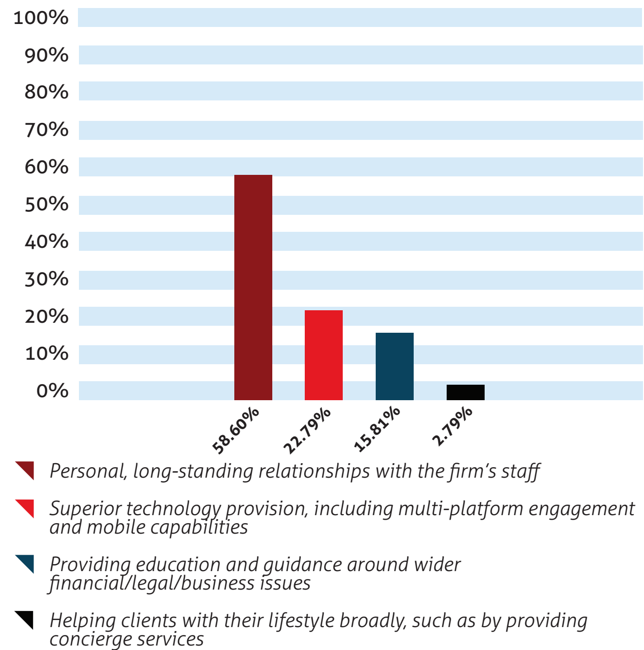
Gamble noted that, from what he is seeing, post-RDR fees are coming up more and more as the reason why clients want to move provider, but he believes that at heart this is a service issue, in that many clients weren't properly educated about the new regime (it was also said that some clients might have been under the misapprehension that fees would fall after its implementation). Moreover, his view is that in many cases "fees have been the final straw which broke the camel's back" but these clients' dissatisfaction is actually probably rooted in service issues. Here again it would seem that client satisfaction stands on the triple pillars of fees, performance and service.

How far superior service standards mitigate fees which are perceived to be a little high, or investment performance which is slightly sub-par is debatable, and will depend hugely on the profile of each individual client. What is more certain is that service is a key differentiator when fees and performance are within acceptable parameters, although again these parameters are by no means static.

The value calculations going on in clients' minds are then dynamic and depend on a whole range of contextual and comparative considerations – which again brings things back to client insight and the need for institutions to get a firm handle on what makes their clients tick. Value calculations might be about hard numbers, but there are a host of soft factors at play too.

WHICH "SOFT-SIDE" FACTORS ARE THE MOST IMPORTANT IN DELIVERING A SUPERIOR CLIENT EXPERIENCE?

Although all are arguably significant, which of these "soft-side" factors do you think is the most important in delivering a superior client experience today?



The fact that most wealth managers are said to be looking at improving their reporting systems forms part of a wider need for better technology provision across the industry. While the majority of survey respondents said that longstanding, personal relationships are the most important "soft-side" factor in delivering a superior client experience, nearly a quarter (23 per cent) opted for "superior technology provision, including multi-platform engagement and mobile capabilities". This is even more significant when we consider the inherent bias in asking this question of front-line personnel who may also have a fear of disintermediation.

> *"When you get down the scale to where most of the clients are in the wealth management arena really I think one of the most important value-adds is technology"*

In terms of their importance to overall client experience, technology provision emerged far in front of "providing education and guidance around wider financial/legal/business issues" (16 per cent) and "helping clients with their lifestyle broadly, such as by providing concierge services" (3 per cent). This finding could reflect the fact that the wealth management industry is widely regarded as underserving clients in terms of technology. However, it could also be a function of the fact clients will value the various soft elements of a proposition according to where they stand on the "wealth pyramid". In the main, "core" HNW clients will probably see succession planning as less of a priority than centi-millionaires with a sprawling business empire, for example. In contrast, quality of technology provision is something which will impact on *all* clients and arguably perhaps even more so on those in the middle strata of assets. "When you get down the scale to where most of the clients are in the wealth management arena really I think one of the most important value-adds is technology," said Gamble. "I think there's big leverage there to pitch with a technology angle if you've got a good one, especially when talking to existing wealth management clients."

IN FOCUS: DATA UNDERSCORES DIGITAL DEMAND

Traditional communication methods like face-to-face meetings and telephone conversations will undoubtedly continue to be central to the high-touch wealth management proposition. However, recent research suggests that it is unwise for firms to overstate their importance and neglect to develop the digital side of their communications suite.

Perhaps the most pertinent study in this area is *The Futurewealth Report: Stepping into the Communication Age**, since its sample was close to 3,500 "up-and-coming" HNW individuals internationally (who had an average net worth of $1.9 million). Representing the clients of tomorrow, the study's participants sent the industry a clear message: the wealthy are becoming increasingly reliant on digital communication channels and those firms which fail to accommodate this risk being left behind.

A headline finding was that 35 per cent of the participants expect to be using digital communication methods like email, social networks and instant messaging "much more" in five years' time (although it should also be said that 26 per cent said they expect to increase their use of traditional communications channels over the same period). This first finding becomes even more significant when we consider that wealthy individuals already appear to be avid users of digital communications, racking up on average 19 hours per week. Even more strikingly, the report found that for individuals with a net worth over $4 million this figure rose to an average of 28 hours.

Behind this trend is the tendency of wealthier people towards international mobility and early technology adoption, along with the fact that the world's HNW population is undeniably getting younger and therefore more digitally savvy. We also have the fact that Asia is both a trailblazer in technological advances and a hotbed of wealth creation today. Wealth managers clearly need to keep pace with clients' growing reliance on digital communications, and while at present email might be king there are several other channels which need to be on their radars.

INSTANT MESSAGING

Industry analysts predict rising demand for instant messaging capabilities and it is easy to see why when we consider that delayed email responses can be a particular source of irritation for clients. Spectrem Group's *Millionaire 2012* report found, for example, that a failure to return emails in a timely manner would cause 44 per cent of participants to change advisors.

Clearly, instant messaging is more suited to shorter (and arguably less formal) communications and will not be suitable in all situations. However, what these tools do provide clients with is a sense that their advisors are immediately accessible – even when they themselves might be tied up. A sense that one's email is joining a queue of perhaps hundreds to be dealt with could also undermine a client's feeling of connectedness with their advisor.

Wealthy individuals are already pretty heavy users of instant messaging tools: the *Futurewealth Report* found that those with a net worth over $4 million spend close to five hours a week using instant messaging systems, compared to an average of 1.6 hours among those with less than $500,000. Here again, we see the early adoption trend rising as we go up the wealth scale and this was also replicated with VoIP (Voice over Internet Protocol) calls: the wealthier segment of participants were found to spend three hours a week more on VoIP calls than their less affluent counterparts.

VIDEO CONFERENCING

Wealth managers should also be thinking about offering clients the option of video conferencing with their advisors – and figures suggest that those which fail to do so face could struggle to retain younger, more tech-savvy clients.

In a report released at the end of 2012, the technology firm Cisco warned that 57 per cent of wealthy US investors under the age of 55 and 51 per cent of those in the UK would consider moving a portion of their assets to a firm that offers technology-based services incorporating visual, virtual, social, mobile, blog and webinar activities. Overall, of the 1,200 HNW clients the firm surveyed in the UK, US and Germany, 61 per cent said that they want the option of video meetings with their advisors in addition to traditional face-to-face meetings.

Again, this demand seems to be rooted in everyday usage, since around half of the participants said that they had used some type of video channel to "meet" with friends, family, or colleagues in the past year. There are also practicalities to bear in mind: according to Cisco's figures, more than 20 per cent of wealthy investors in the US and UK live over 50 miles from their financial advisor, making face-to-face meetings somewhat impracticable on a regular basis. Of course, it is common for advisors to travel to clients for a meeting but it might be in some cases that the client is more than happy to meet them virtually (generating obvious time and cost savings on both sides). More importantly, video conferencing could give clients access to all manner of experts from all over the world simultaneously – something which could be invaluable in cases of complex international wealth structuring, for example.

MOBILE OVER PC; TABLET OVER SMARTPHONE

Although the wealth management industry may have broadly lagged other sectors in fully embracing internet capabilities, it is now well on its way to catching up. However, firms also need to be aware that over the past few years PC use has fallen dramatically as a corollary to the rise of smartphones and tablets. McKinsey & Company estimates that over a third of the time people now spend web browsing, using social networking sites and using email/messaging software is on mobile devices – a figure which the firm expects to rise to half in the next few years.

> *"Over a third of the time people now spend web browsing, using social networking sites and using email/messaging software is on mobile devices"*

When it comes to mobile, a lot is said about interacting with clients "on the go", however McKinsey & Company's research highlights a particularly interesting trend here - that half to two-thirds of tablet and mobile smartphone usage actually takes place *at home*. Smartphones and tablets are clearly overtaking PCs as the preferred access route to the internet and this will force companies to overhaul how they deliver information. Aside from accommodating the touchscreen format of smartphone and tablet devices, the consultancy advises companies to also consider faster download times, short-form content and greater video capabilities. As discussed elsewhere, they will also need to weigh up which type of device clients will prefer for each activity: transactional activities can probably be more confidently carried out on the larger tablet format (not to mention greater ease of typing for lengthier messages), while clients might be more likely to while away spare minutes with a lifestyle app on their smartphone.

* *The Futurewealth Report* was published jointly by SEI, Scorpio Partnership, and Standard Chartered Private Bank

IN FOCUS: THE DIGITAL REVOLUTION IN WEALTH MANAGEMENT

The digital revolution of the past few years means that now even the more conservative institutions are making their first forays into social media and mobile. Here, Steffen Binder, managing director at MyPrivateBanking Research, discusses the sector's progress and key drivers going forward.

As might be expected, client demand is perhaps the most important driver behind the industry's digital revolution, and a lot of this is down to simple demographics. The next tranche of clients represent a "digital generation" who are reliant on electronic communications, imbued with social media culture and never without a mobile device. So while these clients may still value traditional meetings and calls, they also "very simply demand that they can communicate with their advisors through digital media," said Binder.

The second major driver is tech-savvy advisors wanting to leverage mobile capabilities to get real-time access to portfolio data and present information to clients in a visually interesting way. Here Binder notes "a very strong movement" of frustrated advisors bringing in their own devices where their employer doesn't provide these capabilities, with obvious regulatory and security implications. The potential to make client meetings more dynamic through live scenario modelling and the production of ad hoc reports does mean however that many firms are making investments in this area.

The third and fourth major drivers behind the digital revolution are intertwined, explained Binder, the first being the need to communicate with stakeholder groups like analysts, journalists and job applicants which are "even keener" than clients to communicate and get information digitally. "If you want to make sure that your brand message and your corporate communications reach these stakeholder groups you have to make sure that you are using digital platforms," Binder said, adding that fully leveraging new technologies is a particular consideration for the "bigger, more global players wanting to be perceived as a modern, technology-affiliated brand".

LOOKING OUTSIDE WEALTH MANAGEMENT

The fifth driver is that historically the wealth management industry has been put to shame by other sectors targeting the HNW, like luxury watch or car manufacturers. "We see these industries as two or three steps ahead with regards to using digital channels such as social media," said Binder. "There is a feeling, particularly among marketing people within wealth management companies, that they have to play a little bit of catch-up." While the greater emotional resonance buying a car has over opening a new bank account explains why some sectors have invested more, wealth managers should be aware that HNW clients will certainly compare the digital experience they receive across their various providers, said Binder.

> *"If you want to make sure that your brand message and your corporate communications reach these stakeholder groups you have to make sure that you are using digital platforms"*

More importantly, he pointed out that the digital experience offered by retail banks is often far superior to that offered to HNW clients. Again, retail banks may have bigger technology budgets and more compelling reasons to invest, but it should be noted that the HNW are often early adopters of new technologies and may well feel entitled to cutting-edge provision. At present there is typically a one to three year lag between retail institutions offering a new tool and wealth managers catching up, said Binder - something which he sees as "a real shame because the wealth management sector should be the first one to offer those digital goodies."

This lag is not however just about budgetary constraints or cultural reservations around providing personal service, said Binder, explaining that the "very different and differentiated needs" of the various client segments served by wealth managers makes it difficult to know exactly what HNW clients want. "They are in a trial and error phase and nobody has the 'magic bullet' yet in the wealth management space," he said.

A DIGITAL "WISH LIST" FOR WEALTH MANAGERS

Further complicating matters are the various functions digital channels have to fulfill for firms and clients. At the most basic level is the need for a transactional channel through which clients can check their accounts, trade and make payments, and while we might think of this as a given in today's age, Binder notes the case of one very prominent Swiss private banking group which only implemented online trading a year or so ago. Wealth managers' next priority should be digital communications channels, he said, noting that today email is "the most important communication channel in most markets". The third digital channel firms should pay heed to, as referenced earlier, is the "face" they present to the outside world via social media platforms. Here, however, Binder warns that "it's very important that you master those digital platforms because the world of media is quite unforgiving if you make mistakes on your Twitter newsfeed or on your official Facebook page".

> *"It's very important that you master those digital platforms because the world of media is quite unforgiving if you make mistakes on your Twitter newsfeed or on your official Facebook page"*

MyPrivateBanking identified a real lack of multi-lingual social media provision in its latest benchmarking report, but here it is easy to see the difficulty of simultaneously issuing content in multiple markets, in multiple languages while not falling afoul of any regulatory regimes. That said, at least some firms are making a concerted effort to offer social media output in their "home" language and a lingua franca such as English. Indeed, Binder foresees things soon becoming "state-of-the-art" with banks better able to cope with the practicalities of operating multi-lingual social media platforms in tandem. "Wealth managers have to reach out to people through these digital platforms and be able to make the step to balance their global and local activities," he said.

The use of social media platforms as a marketing tool may have rapidly gained traction, but many contend that using them for client-advisor communications is the next logical step. Understandably perhaps, the industry has been somewhat reluctant to implement this due to regulatory and security concerns, but arguably client demand could see these fears overcome in due course.

> *"I would advise banks to think about including instant messaging capabilities in their platforms. Especially when we take into account the fast proliferation of smartphones and tablets, it can be easily seen that instant messaging is a critical communication channel."*

In fact, Binder believes that developing instant messaging capabilities should be high on wealth managers' digital wish lists as the immediacy of instant messaging will make all manner of platforms – from Whatsapp to Skype and Twitter – increasingly important. "Instant messaging is a communication channel with significant growth potential as it's a very convenient way for people to have a conversation with their advisor while they have a meeting going on, or are sitting in a café reading the newspaper," Binder said. "I would advise

banks to think about including instant messaging capabilities in their platforms. Especially when we take into account the fast proliferation of smartphones and tablets, it can be easily seen that instant messaging is a critical communication channel."

Here again security concerns may mean that some firms will prefer to develop proprietary tools, perhaps within their own apps, said Binder. This is also arguably preferable from a branding perspective, allowing firms to preserve a sense of exclusivity as some have done in the creation of private social media networks.

REGIONAL TRENDS

Binder noted some interesting regional trends when it comes to digital experience. Predictably, since it is home to many of the world's biggest technology and social media organisations, the US is slightly ahead of the game in many areas, he said. (Here we could note that Morgan Stanley permitted its US advisor force to use Twitter and LinkedIn professionally last year.) The Asia-Pacific market is also at the forefront of all things digital, Binder added, noting that Hong Kong and Singapore are particularly strong on the mobile side of things.

While Europe is flanked by more progressive technology markets, Binder points out that the region is actually "very heterogeneous". "Overall, Europe is not in such a bad position but what we see is that there are markets which are very strong in Europe when it comes to digital platforms and also markets which are quite weak, and even ones which are almost not identifiable on the digital map," he said. Among the stronger ones are the UK, Germany and France, while southern countries such as Spain, Italy and Greece are generally weak. Surprisingly, Binder noted that the Scandinavian banks are also weaker on the digital front than one might expect given these countries' generally strong digital footprint.

But it's not just in the development of "digital goodies" that the US and Asia-Pacific are ahead, since institutions from these markets are also far better at quickly rolling out digital tools across their various markets. "This is something we're lacking in Europe," said Binder, explaining that it is common for a major banking group to "do something very well in their home market and then not roll it out to the other markets they are present in". This tendency, is "a shame", he said, because once all the hard development work has been done "it's only a small step to roll it out in a dozen other markets and market it there". This is an area where Asia has a real strength over Europe, said Binder, citing several cases where banks have rolled out apps across multiple markets in multiple languages in quick succession.

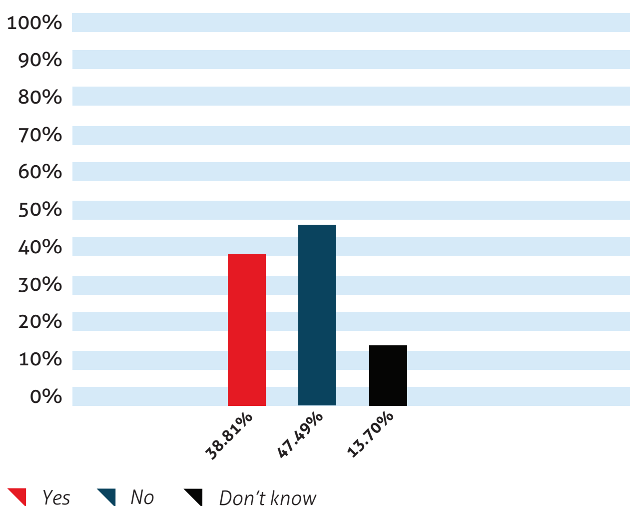
Binder highlighted Singapore's DBS as a real leader in the mobile space, it having rolled out a suite of apps which is "just breathtaking". In addition to an "excellent" core banking app, DBS offers apps for dining out, travel and shopping, along with utility tools like a QR scanner. Looking more closely at the bank's shopping app, it has a "camera view" function that allows users to scan their surroundings so that the nearest privileges open to them as a DBS client "pop up" via augmented reality. The potential to step up this technology to reward the loyalty of HNW clients is clear.

Smartphone capabilities are a clear priority, but as they develop their mobile strategies firms need to bear in mind that tablet devices are really where things are heading, Binder warned. "Tablet computers are becoming more and more important in the finance sector – the smartphone was the door-opener but the tablet is now really catching up quickly," he said. Practicalities like their larger format making it easier to view complex information aside, tablets are also better suited to the kind of interactive content that the sophisticated HNW segment demands. Here again, wealth managers might look to emulate DBS, said Binder, since its tablet apps feature "very rich" content like analyst and CIO research videos. "These apps are really targeted at the HNW segment and we see this as a big step. I haven't seen such well-developed tablet applications for the wealth management segment in Europe yet," he concluded.

BEYOND HANDSHAKES: THE VALUE OF SERVICE LEVEL AGREEMENTS

One tool for improving client experience which is increasingly on the radar of the wealth management industry are Service Level Agreements, namely an explicit, formal contract between client and provider which specifies - in measurable terms - the services which will be provided. Although they are something which is far more embedded within other sectors (such as within business-to-business outsourcing) such agreements seem to already be in use at a significant proportion of wealth management firms: 39 per cent of the respondents to the reader survey said that their firm currently implements formal SLAs.

Does your firm implement formal service level agreements with clients outlining what they can expect in terms of frequency of contact, timings of reviews?



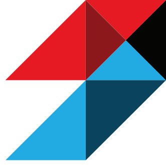
That nearly 40 per cent of wealth managers are now implementing formal SLAs with clients shows that progress has been made, but the industry could still be making much wider use of such agreements, according to the contributors to this report.

According to the expert panel, the most valuable contribution SLAs make is in setting up clients' expectations properly and clearly defining the parameters of the relationship they have both with their banker and with the wider institution. Such agreements will need to set out things like the frequency of contact clients can expect and the timings of reviews, but actually the value of SLAs goes far beyond creating a practical framework for the relationship.

According to Anne Grim, SLAs can be a powerful way to enhance client experience and she believes that wealth managers should be getting really granular when it comes to giving clients choice in their contact strategy, for example. "We could say: 'Typically for a client of your complexity we would meet four times a year; included in that would be the annual review; on a quarterly basis we would do a performance review. Does that feel right to you? How would you like to meet? Do you want to do it over the phone, face to face or via video?'"

Not only does this approach establish a clear understanding between the two parties on what to expect, but it also "gives you more opportunities to get things right first time from the client's perspective – and that's what they expect," she explained.

Grim pointed out that SLAs can be a highly useful part of the client discovery process as they effectively let the client dictate the tone of the relationship. Beyond addressing when and how clients would like formalities like annual reviews carried out, SLAs let clients set



the boundaries elsewhere – it might be that they would be very happy to receive a client care call from a senior leader, but equally they might prefer not to be contacted in this manner.

ASSESSING VALUE

Perhaps the most important contribution that SLAs can make to enhancing client experience is in giving clients a way to assess the provision they are getting. In the words of Grim, with SLAs "the clients are in a better position to assess the value that the relationship manager is providing and how well they are delivering on their promise". If they perceive more fully that they are getting value, then it follows that their satisfaction levels will rise.

> *"All the client feedback was strongly along the lines of 'I bought the portfolio, but I bought the relationship too, and I can measure one but not the other'"*

According to Seb Dovey, it can sometimes be difficult to convince institutions that they need formal agreements in regards to general conduct as opposed to just specifically for a portfolio. However, when Scorpio Partnership investigated this issue for one bank it found that clients felt quite differently. "All the client feedback was strongly along the lines of 'I bought the portfolio, but I bought the relationship too, and I can measure one but not the other'," said Dovey. Clients want to know why it is that they are contacted a certain number of times a year, and if that's enough, for example, he added. They are also increasingly asking if they can have more choice over their level of service.

The rising use of SLAs forms an important part of wider moves towards greater transparency, and Dovey believes that over time this could really shake up the industry's perception of itself. Regulatory changes in the UK and elsewhere mean that clients are now being asked to pay for advice upfront, meaning that they are being "asked to ascribe a value to advice for the first time", he explained. In Dovey's view, the question to be asked by institutions is therefore: "How do you expect your pound to be divided among the different parts of what you buy from us, the provider?"

"It will be interesting to know what clients think they are paying for and what they *actually* value - what they *want* to pay for," he said. "It's going to take an open-minded industry to respond to that."

> *"It will be interesting to know what clients think they are paying for and what they actually value - what they want to pay for"*

CLIENT DEMAND

While it seems that most wealth managers are currently not implementing formal SLAs with clients, Dovey believes that this is set to change before too long. As well as some firms choosing to differentiate themselves through SLAs, he predicts that those dragging their feet might be forced to introduce them in response to client demand. "Clients may start thinking, 'Why doesn't my bank do that?' and they will begin to ask questions that will become increasingly difficult for a private banker not to respond to," he said. This point is particularly relevant when we consider the fact that HNW clients typically have multiple wealth management relationships in place, and will also share their experiences with their peers.

As Dovey points out, one retail bank in the UK is putting the fact that it has a "Customer Charter" front and centre in its marketing; attempts to codify what a great banking experience should "look like" are clearly well underway in the retail space. It should also be noted that there are top-level moves within the wealth management industry to define what its guiding principles of service should be. (In late 2012, for example, the International Capital Market Association launched its Private Wealth Management Charter of Quality.)

NO "MAGIC BULLET"

SLAs can be very valuable in terms of managing clients' expectations, discovering their preferences early on and helping them to assess the quality of their provision on an ongoing basis. However, the panellists cautioned that they are in no way a "magic bullet". As Ged Brannan pointed out, SLAs are only valuable in so far as they help to *guarantee* that the institution delivers against the expectations which have been set with the client. "SLAs will help this, but not by themselves. What will help is organisations internally setting very clear expectations of levels of contact and then being very overt with clients about what the interaction model is," he said. Additionally, Brannan, along with several other panellists, believes that, if used, SLAs need to be tied in very closely to performance management.

GRANULAR SERVICE MODELS

The rising use of SLAs can be seen in tandem with the fact that many firms are seeing value in having explicit service models in place. As well as being broad statements of "this is how we treat clients", many institutions are getting very granular indeed when it comes to service delivery. As discussed overleaf in this report, some firms are actually taking a quite regimented approach to client service now, in the belief that a robust service model can always be relied upon to deliver great service standards even when the markets are not forthcoming with strong returns.

While there is a lot to be said on the merits of prescriptive service models in terms of ensuring consistent service and so on, the contributors to this report urged caution when it comes to making service models overt to clients (indeed it was also questioned whether SLAs themselves should be more for internal use only).

The first concern of the panellists was that it would be very damaging to a brand if an SLA or service model made a promise which was not then manifested in the actual client experience. However, their main doubt was whether clients have much desire to have the "nuts and bolts" shared with them at all. As was pointed out, the top luxury hotel chains have extensive client service rules in place but these are never shared with the client.

> *"The use of any internal process or measurement is only to back up what you're going to do for the client - it is not necessarily for sharing with them"*

"If you stay in a Four Seasons hotel you will not see those rules and nor should you. What you *will* receive is an expectation of that kind of service and it will appear to you that its delivery has been seamless," said Brannan. "The use of any internal process or measurement is only to back up what you're going to do for the client - it is not necessarily for sharing with them."

IN FOCUS: STANDARDISED SERVICE MODELS – LESSONS FROM THE US RIA SPACE

Senior executives at two US Registered Investment Advisors, Washington-based CIC Wealth Management Group and Springfield, Missouri-headquartered BKD Wealth Advisors, discuss how standardised service models are helping them to consistently deliver a superior client experience.

Standardised service models are rapidly gaining traction in the wealth management sector (most visibly in the US) and it seems that the industry is realising that a lot can be learnt from other HNW service providers, and even mass consumer chains. Indeed, in late 2012 Fox Financial Planning Network advised firms to develop a "Starbucks" client experience by building firms bottom-up with well-developed systems and operating procedures in order to deliver a consistently high level of service, which is also replicable and scalable.

> *"One of the reasons people go into Starbucks is they know that they're going to get a great cup of coffee every single time"*

For Jack Thurman, partner at BKD, the notion that clients prize bespoke service above all else might actually be overstated and he instead believes that clients are reassured by standardisation. "One of the reasons people go into Starbucks is they know that they're going to get a great cup of coffee every single time...one of the reasons that McDonalds is so great is that you know you're going to get great French fries every single time," he said. Advocates of the "Starbucks approach" contend that wealth managers have a lot to learn from the almost obsessive attention to detail such multinational chains pay to service delivery and firms like CIC and BKD are developing service manuals which delineate, in granular detail, how clients should be serviced.

Ryan Wibberley, president and founder of CIC, explained that his firm has developed a service manual which is so precise that even a complete newcomer would be able to "literally come into our office today, sit down in front of it and carry on providing our level of service". This manual has been the work of some years, but now provides employees with an online guide to every aspect of client service. "It covers every single step we take, from onboarding a new client, to every letter that goes out and what that letter says, to follow-up phone calls. We've systematised every step of the process all the way through to the client review process. We have a process for everything we do," said Wibberley.

At a basic level, this level of granularity, such as insisting that follow-up calls take place 10 days after letters are dispatched, is quite simply aimed at preventing "things from dropping through the cracks", he continued. To this end, every time a client requests something (even something as simple as mailing a cheque) this has to be entered onto the CRM system, actioned and "ticked off". Adhering to this process is a matter of some discipline Wibberley concedes, since often recording a task will take as long as actually doing it, but he is convinced of its value – not least in terms of embedding best practice as second nature.

ADVISOR PUSHBACK

Predictably, not all advisors are immediately keen on this level of standardisation and both Wibberley and Thurman are candid about the need to convince staff of its value. As Wibberley said, "We have checklists for everything we do and sometimes it seems a little frustrating that we have to go through all these checklists", he said adding that this level of standardisation is often "a very new thing" to fresh recruits and so he often feels that he has to "sell them on the idea of why we're doing this, why we're 'wasting our time' with all this stuff". A degree of ongoing "sell" is also needed, he said, explaining that, "I still have to do it, even with people who have been with me for years. You can still sense a little bit of frustration in that they have to go through these processes."

In addition to the concept of standardisation being somewhat alien to many advisors, Thurman believes that some resistance might be down to the fact that, as "very smart people", advisors will often have their own biases as to how they should serve clients. As such, advisors will often privilege the "nuts and bolts" of wealth management over its delivery to the client, focusing on what interests them (their expertise in the intricacies of asset allocation, for example) over what interests clients (which investments will allow them to retire when and how they wish to). Tackling this while avoiding any note of patronisation is clearly a delicate task. "I tell them, 'This is not a matter of trying to teach you what you don't know, it's more about keeping things seamless and proactive,'" said Wibberley.

EXCEEDING CLIENT EXPECTATIONS

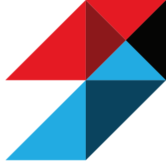
Wibberley and Thurman are convinced that a deeper cultural shift is needed which recognises that service delivery is a key differentiator, particularly for firms which don't have the recognisable brands and advertising budgets of the bigger players. "What I realised is that anyone can do financial planning, anyone can provide investment views, it's how you integrate it and deliver it which is really the differential," said Thurman. "You need to have great financial planners and portfolio managers, but those are commodities, those are a given."

> *"Anyone can do financial planning, anyone can provide investment views, it's how you integrate it and deliver it which is really the differential, you need to have great financial planners and portfolio managers, but those are commodities, those are a given"*

Underpinning the approach of firms like CIC and BKD is a belief that they are services firms, rather than transactional ones, and as such their service models extend far beyond the day-to-day business of managing wealth and aim to deliver a "wow" client experience which demonstrates a deep understanding and appreciation of clients at every touch point.

To this end, BKD has taken the somewhat unusual step of enlisting the help of an acknowledged world leader in client service and a pioneer in sharing best practice: Ritz-Carlton. To learn from the luxury hotel group's "Gold Standard" service model, BKD sent four senior staff members to Ritz-Carlton's Leadership Center and has also had its experts come into BKD's offices to speak to staff. This initiative is emphatically not about lofty theories but rather day-to-day execution, explained Thurman, and some of Ritz-Carlton's practices have been adopted wholesale by BKD, such as daily 15-minute "line-ups" to appraise staff of all the clients coming in and that day's workflow. As well as creating opportunities to make those clients feel special these line-ups are also a forum to share examples of when superior client service was delivered, reinforcing company culture and also giving staff peer recognition for efforts which aren't *directly* about writing new business. Such scenes might seem incongruous within wealth management, but Thurman reports that BKD's staff are beginning to enjoy and look forward to them; they also underline that superior service delivery has to be owned by all staff as part of "living the brand".

Wibberley's firm places a similar emphasis on recognising those who "go the extra mile", encouraging staff to highlight their colleagues' efforts and using this information in performance reviews. In fact, so codified is CIC's commitment to making clients feel special that all staff (even receptionists) are enjoined to try to find out



something new about clients every time they visit. Staff might then make a note to mark a client's grandchild getting into a prestigious law school, or send a gift if the client is going on a special trip – little touches employees will then get tangible credit for at bonus time. Encouraging staff to "own" problems until they are resolved and "make good" with clients is also a major focus at both RIAs, and at Ritz-Carlton.

THE RATIONALE

Thurman and Wibberley are well aware of how some hard-bitten money managers will regard their standardised approach to client service, but both are staunch defenders of its merits. "The point of all this is to instill this culture and to create an environment where you are rewarded for doing it. Sometimes it may seem counter-productive or a little childish to do, but it helps us from the clients' perspective to not allow things to fall down when all we had to do was pay attention to detail," said Wibberley. This point about the primacy of the client's perspective was picked up by Thurman, who had this to offer detractors: "To those who say it's patronising and frustrating, I would say, 'What do your clients think?' People who say that granular service models are patronising haven't asked their clients; clients want to have a standard."

"To those who say it's patronising and frustrating, I would say, 'What do your clients think?' People who say that granular service models are patronising haven't asked their clients; clients want to have a standard"

Thurman and Wibberley might be passionate advocates of standardised service models, but both emphasise that this has to be done intelligently, and in a way which fosters customisation *within* standardisation. As such, the standardised service model creates a starting point for bespoke touches to be embedded into a "failsafe" process. As Thurman explained, BKD's system dictates that key clients have to be seen four times a year, but within this a client might be abroad for two of these reviews and therefore they might take place via video conference. "So you have standardisation - you're still going to meet with them four times - but twice is going to be through Skype or FaceTime," he said.

In this way standardised service models can be seen as a "a blueprint" to be ameliorated through the years as knowledge of the client builds: slavish adherence to a system is very useful in some regards, but that system has "flex" to give clients precisely what they want. This way of thinking might not be anything particularly new in wealth management, but hearing industry leaders talking about learning from coffee shop chains and hoteliers certainly is. It is a concept which is catching on fast, and both Wibberley and Thurman pointed out that their firms are far from alone in espousing it in the US. Smaller, independent RIAs might not have the heft or scale of the bigger players, but they are putting up a good fight for wallet share by putting client service front and centre. "Our biggest, most difficult competition comes from other firms like us. We're not the only ones which realise that client service is the place to be moving forward in the wealth management space," concluded Thurman.

Recent M&A figures from Schwab Advisor Services seem to confirm that acquiring firms are seeing real value in the RIA model, with 2012 deal volumes having rocketed up 30 per cent compared to 2011. The independence of RIAs is certainly one draw for both clients and advisors, but the time cannot be far off when acquiring firms cite replicable, scalable service models as another reason to snap up these pioneers of the "Starbucks" approach.

IN FOCUS: WHAT CAN THE WEALTH MANAGEMENT INDUSTRY LEARN FROM RITZ-CARLTON'S SERVICE "GOLD STANDARDS"?

All kinds of companies the world over - including wealth managers - are keen to learn from Ritz-Carlton's ethos, and to date 10,000 business leaders from 175 companies have attended its Leadership Centre training programme. So what makes the Ritz-Carlton approach special?

- **Having a clear "mission statement":** The Gold Standards are central to all practices.
- **Embedding peer recognition and ethos reinforcement into daily routines:** A "line-up" is performed for every shift in every hotel, giving staff the opportunity to personalise guests' experiences and to share "wow stories" of exceptional service.
- **Empowering employees:** All staff members at their own discretion are allowed to spend up to $2,000 to make each guest's stay outstanding. This is not just about problem resolution, and could also include a special birthday treat. The emphasis is also on employees' purpose, rather than their function, so that cleaners are encouraged to take pride in giving guests a sense of wellbeing.
- **Systematically recording guest preferences:** Guests are closely observed to discover their preferences and these details go on their permanent files so their needs can be seamlessly anticipated across the whole hotel network.
- **Taking problem resolution extremely seriously, and making individuals accountable:** Ritz-Carlton's model dictates that employees personally "own" a problem until its resolution.
- **Aiming to be at the forefront of HNW trends:** Ritz-Carlton studies the broad market for luxury goods and services, enabling it to set trends, as with its introduction of spas in the late 1990s.
- **Obtaining extensive and frequent feedback via a third party:** Through Gallup, Ritz-Carlton polls close to 40 per cent of its guests every month, asking around 30 questions. Crucially, success is measured in two ways: functional and emotional. Therefore guests would be asked if their room was clean (functional) and then if they experienced a sense of wellbeing (emotional).
- **Driving guest satisfaction through granular systems and checklists:** Guests can expect a warm smile, a positive demeanour, a personal greeting and an impeccable appearance from front-of-house staff, and this is codified by a checklist, for example.
- **Fostering loyalty and brand advocacy:** Guests are rewarded (with either points or airline miles) on an ascending scale and can get access to a range of special experiences from exclusive rewards partners.
- **Sharing best practice, drawing on others' expertise:** As well as sharing its own insights the group has utilised Motorola's Strategic Plan and Xerox's six-step process for problem solving.

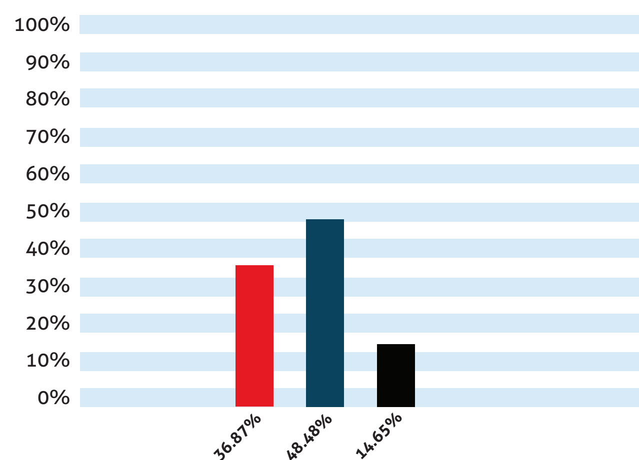
SECTION 4

DEMONSTRATING THAT CLIENTS ARE AT THE HEART OF THE BUSINESS

THE MERITS OF MAKING CLIENTS FEEL THAT THEIR VOICE COUNTS

Forward-thinking wealth managers are increasingly putting client experience at the centre of everything they do, and as such firms are making great strides in client insight and using this data strategically to improve satisfaction levels. But to what extent are clients made to *feel* that this is the case, and what are the merits of doing so?

When it comes to giving clients a "voice", what best describes the situation at your firm?



*The firm makes **every effort** to make clients feel that their input counts and that their feedback effects change*

*The firm makes **some effort** to make clients feel that their input counts and that their feedback effects change*

*The firm makes **little effort** to make clients feel that their input counts and that their feedback effects change*

A significant proportion of firms are clearly convinced that clients need to know that their views are of paramount importance: 37 per cent of survey respondents said that their institution "makes *every* effort to make clients feel that their input counts and that their feedback effects change". Meanwhile, close to half (48 per cent) said their firm only makes "some effort" in this regard and 15 per cent of those surveyed reported that "little effort" is made to make clients feel that they have a voice and can influence change.

So, less than one in four survey respondents believe that their firm is putting in the required effort to make clients feel that their voice really matters. But to what extent is this a true reflection of how things stand at present in the industry? For Seb Dovey, although this low number is "a tragedy, in terms of showing how much the industry cares", it is indeed probably an accurate representation of how things stand.

OVER-RELIANCE ON RELATIONSHIP MANAGERS?

Explaining further, Dovey said that if this question was replayed back to the industry, it would "qualify it and say 'that's not how we meant it, obviously we make clients feel that they have a voice, but it's through the relationship manager'". But relying on relationship managers to act as the sole "ambassador" for clients' views and a "fixer" for any issues they might have with their institution is wrongheaded in his view.

Relationship managers are of course the prime contact point between institution and client, and so it's easy to see why some firms might feel confident that this deep relationship gives clients sufficient voice. The trouble with this rather complacent approach however is that its success relies on factors such as the individual relationship manager's inclination to thoroughly transmit clients' views and their ability to have these "actioned" by management. When these are lacking there is a risk of jeopardising the foundations of the wider relationship, such as trust and understanding.

Making clients feel that their voice counts is about showing them that they are valued as individuals. Doing things like having a senior manager perform a client care call is also a "nice" kind of attention, Mike Moodie pointed out. "Clients don't tend to get that sort of attention, what they do get is their doorbell rung, so to speak, and calls and emails from the firms wanting to sell to them," he said, adding that clients "feel very valued if they're talking to a decision-maker, somebody that can sign off on something that is important to their needs".

Moodie went on to say that it's essential that clients don't feel that there is "a fireladder" between them and senior management, and this in fact plays to the client-centricity theme which is prevalent in wealth management, and indeed many other sectors, today.

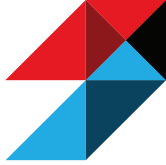
> *"I'm hearing the term 'servant leadership' a lot - the idea that if you really understand what clients need and deliver what they want, putting them first and foremost - you can truly lead the category "*

SERVANT LEADERSHIP

For Lisa Worley, the fact that 15 per cent of firms appear to be making little effort with client voice is surprising given the type of rhetoric which is trending within wealth management (and other professional services sectors) at present. In her eyes there is a real movement towards making clients feel that "we're serving them for their purposes as opposed to running a bank for our own". Of course, this isn't about altruism - companies exist to make money after all - but rather a recognition that putting clients at the heart of things is foundational to success. "I'm hearing the term 'servant leadership' a lot - the idea that if you really understand what clients need and deliver what they want, putting them first and foremost - you can truly lead the category," she said.

In Worley's view, ensuring that clients feel that they have a voice and can influence change goes to the heart of what she believes wealth management firms should see as their function today: supporting and *partnering* with clients in the management of their wealth so that they can achieve their life goals. This partnership concept was also picked up on by Jo Causon, who noted that "collaboration and co-creation" is becoming an important part of how companies of all kinds view and run themselves, and that client input and feedback are foundational to this.

It should also be noted that feedback isn't just about the negative at all, and even when the client voice concerns and issues what this actually represents is an opportunity to do better as a business. In this way, the client voice is actually a very useful strategic resource. It is also easy for firms to get so embedded in their own culture and way of doing things that they miss opportunities, so encouraging clients to say, "Well, my other provider does things this way instead" can be invaluable. Moreover, any opportunity to



engage deeply with clients without there being a sales angle and which shows a real commitment to sustaining a long-term relationship should be grabbed with both hands, the contributors agreed.

Appreciating the value of the client voice is one thing, making clients *feel* that they really do have one that is effectual is another, and is not to be achieved merely through carrying out biannual client satisfaction surveys, said Worley. "Giving clients a voice has tended to be over-simplified. It's about listening to them on a continuous basis," she explained, adding that today this dialogue can be across a whole range of channels.

Worley also made the interesting point that wealth managers should really be listening to what clients are saying about them, but not necessarily *to* them, via "overheard" conversations on social media platforms and the like. "I think it's important that when we give voice to the client we listen to them everywhere that we can, both in a proactive way by reaching out to them but also in a more intelligent way by listening to what we can overhear," she said.

A final important point about the voice of the client is that, like all the other metrics around client experience, it should be examined in tandem with another: the voice of the employee. This is a key starting point for any institution looking to improve client experience, said Anne Grim.

"In the combination of those two – the voice of the client and the voice of the employee – you really hear either where the core issues are, or what the core strengths or opportunities are. Typically clients and employees are saying the same things," she said.

"I would start from that understanding and then focus on the common elements that both sides are saying which make it difficult for the colleague to deliver something which is extraordinary to the client or which is making it really difficult for the client to gain confidence in the organisation."

The voice of the client is an invaluable diagnostic tool for firms moving to enhance client experience and a key piece of the insight puzzle, the panellists agreed. But it is also a major proof point in underscoring that the client is at the centre of everything a firm does. Much of the marketing literature in the wealth management sector *states* that firms are client-centric, but by listening to - and acting on - what clients are saying firms can *prove* that they truly are.

IN FOCUS: CITI PRIVATE BANK – REAPING REWARDS FROM CLIENT FEEDBACK

Joss Mitchell, head of UK business development at Citi Private Bank, and Tim Tate, global head of client management, explain how the bank's "Voice of the Client" initiative has rapidly gained traction among both staff and clients.

Many believe that cash-rich, time-poor HNW clients simply cannot be bothered to fill in questionnaires on the performance of their wealth management provider. But, according to Tate, this is an "absolute fallacy" and clients are only too keen to make their views heard – as long as the right process is put in place and clients believe that their feedback will be acted upon. Far from being met with indifference, Citi Private Bank has actually seen a "fantastic" client response to its requests for feedback and these insights are proving invaluable to the business, he said.

CROSSOVER FROM CORPORATE

Citi Private Bank's Voice of the Client initiative actually grew out of efforts made by the corporate banking side of the business to better understand the needs of its client base. Strategically leveraging client feedback has long been a priority of Jane Fraser, head of Citi's Global Private Bank since April 2009, and Fraser and Tate first began working together on client feedback on the corporate side of the bank's activities in 2006 (when she was head of strategy for relationships). When Tate joined the private bank in 2010 they then started to talk about putting in place something similar for this side of the business.

These efforts began with senior managers performing reviews with a sample of around 100 clients, which consisted of discussions lasting about an hour (while these were free-form, the interviewers were extensively pre- and de-briefed on what the bank wanted to find out). In 2011 Citi Private Bank then began to think about scaling up the initiative and following the corporate side of the business in moving a significant proportion of the process online.

CONVINCING BANKERS

Tate is the first to agree that a private bank asking HNW clients to fill in a questionnaire online would seem to go against the grain in an industry which predicates itself on the highest levels of personal service. However, as long as clients are approached – and questioned – in the right way, gathering client feedback in this manner can yield great results, he argues.

As with all such initiatives, ensuring staff buy-in is the first hurdle to be surmounted, and while Tate concedes that there was some degree of pushback from relationship managers initially, Voice of the Client now enjoys huge support internally.

In the words of Tate, while Citi's bankers were "initially a little unsure and wary of being criticised" they now see the value of the feedback which Voice of the Client offers. As Tate rightly points out, getting "constructive criticism" can be a real boon to bankers in the current environment of ongoing margin and headcount pressures: "Bankers are under pressure; it's tough times out there... we desperately want to retain talent and to do that sometimes the bankers need help," he said.

> *"They often want to talk to someone other than their relationship manager and offering senior managers brings a totally open tone to any discussion"*

CONVINCING CLIENTS

Understandably, at first Citi's staff were also somewhat sceptical as to whether their clients would want to participate in online feedback surveys. However, these fears soon proved to be unfounded and in fact the bank saw high client participation figures right away. The key to this, Tate and Mitchell believe, is the way in which Citi has rolled out Voice of the Client.

In 2011 Citi started asking private clients for broad-based feedback as an adjunct to feedback forms on hospitality events. Event hosts emailed attendees thanking them for coming along, and in addition to asking for their views on the event, broader "franchise" questions about the bank's performance were also posed. (Out of ten questions, five were related to the event itself, four were focused on the client's relationship with the bank, and the tenth was "Would you like to speak to a senior manager?")

Having begun with generalist hospitality events, the questionnaires were then rolled out for events aimed at specific client segments and for the bank's next gen programme.

The first pilot for the franchise-wide Voice of the Client initiative was undertaken on the West Coast of the US, which achieved a response rate of around 30 per cent. Achieving such a high hit rate "even surprised me", said Tate, who notes that typically online surveys from

credit card companies and the like only see a take-up of around 1-2 per cent. The initiative was then rolled out to New York and London, with similar response rates achieved. In the second half of 2012 the bank started to roll out the Voice of the Client initiative market by market in all four of the bank's regions (the US, Latin America, EMEA and Asia-Pacific) to most clients. These questionnaires are framed by an introduction by the relevant market manager, and while the response rate is not quite as high as for those linked to a client event hit rates are "still significant", explained Tate.

LISTENING TO CLIENTS

So why are Citi Private Bank's clients taking the time to be polled online? For Tate, the Voice of the Client programme actually answers clients' deep desire to feel they are *really* being listened to. "It's a forum to share their feelings and they appreciate being asked," he said. Mitchell also points to the fact that clients really appreciate the offer of speaking to a senior manager. "They often want to talk to someone other than their relationship manager and offering senior managers brings a totally open tone to any discussion," he noted.

While clients clearly appreciate the opportunity to raise issues at a senior level, Tate also attributes much of the initiative's success to the thought that has been put into the questionnaire process. "We were convinced that if we made it easy, simple and structured a lot of clients would be happy to give feedback online," he said. Aside from being conscious of how much of a turn-off interminable questionnaires can be and therefore sticking to just ten questions, Citi also put a lot of effort into the framing of the questions asked in order to glean the most valuable data possible.

"We've been really, really specific on how we word this, and how we structure the questions and the answers," said Tate, who is of the view that questions like "rate your banker on a scale of one to ten" yield very little in the way of useful data. Instead, Citi has been posing questions like "how do you view your banker?" to ascertain the extent to which clients views them as a trusted advisor. "This way we're not just saying 'give us a number', we're asking clients how they *feel*," he said.

While Citi is aiming to gather high-quality feedback data, the bank is also aware of the need to make its questionnaires easy to fill in, and as Mitchell points out this is particularly important at a time when clients are likely to be completing them via a mobile device "on the go". Therefore, Citi has restricted itself to a small number of highly-focused and easy-to-answer, "tick-box" style questions.

IDENTIFYING OPPORTUNITIES

Voice of the Client questionnaires may be easy for clients to complete, but they are gathering invaluable data for Citi which is already producing measurable results for the growth of the business.

As Mitchell points out, one of the most useful outcomes of the initiative is in helping relationship managers to "zero in" on hitherto unexplored areas of client interest. To his mind, it is easy for bankers to sometimes develop a narrow view of what clients want; moreover, it is not uncommon for clients to say in a questionnaire that they are interested in a particular asset class or product while having never brought this up with their banker. "It's really interesting; a client will say 'Well actually I'm really interested in credit' but the banker might say 'Well hold on I've never done credit with this client, he's always given me the impression that he doesn't want it'... it's really valuable in that respect. It suddenly means that the client and the banker are on the same page," Mitchell said. "Once a banker knows this information, then they can act on it, and that's the whole point of this." "To be able to say to a banker 'these are the three things that are on your client's mind' is very helpful," added Tate.

As Mitchell points out, asking clients these types of questions is a particularly valuable exercise in the UHNW segment, since there is often the potentiality to do a lot more business with clients and win wallet share away from competitors. "We are lucky enough to have some really, really valuable clients and this initiative is really helping us to broaden those relationships. In the current environment there's very little new business out there so it is all about increasing penetration, and this is a phenomenal way of us being able to focus our minds on what we're trying to do for these clients," said Mitchell. In fact, Tate cites one example where a UK client gave some feedback, which was then acted on and the bank won a "very serious mandate off the back of that".

The data to come out of Voice of the Client questionnaires is also proving to be a very useful aid to bankers' planning processes. As Tate points out, rather than bankers being "stuck" as to what to talk to clients about, it might be the case that they have indicated a particular area of interest, like trusts, and so "there's your next conversation". "One of the things we've institutionalised over recent years is *proper* client planning. This was intended to get bankers spending some time thinking about what the client really wants and needs based on our entire understanding of that relationship. This initiative plays very nicely into helping them to do that effectively," said Tate.

Being able to fine-tune the bank's offering in response to current client demand is another major benefit Citi is seeing from the Voice of the Client initiative, since the data is also mapped on a regional level. "We can be very reactive...if it's within the realms of what we're allowed to do and what we want to do, then yes absolutely we can expand the offering," said Tate. "It's very useful from a strategic perspective and helping us to answer the question 'Where are the holes?'"

But aside from flagging up opportunities to introduce new products and services to clients, Citi is of course also keen to nip client dissatisfaction in the bud. The fact that the process obviates the need for clients to *actively* make a complaint is obviously key here, as is the simple human propensity for clients to remain silent and simply take their business elsewhere rather than confront niggling problems.

"In some cases it can be very valuable as an 'early warning system', because the banker may think that the relationship is going along swimmingly but actually there is just something not quite right," said Mitchell. "It's like a bit of grit in your brake disc: over a series of miles it will start to make a heck of a racket and it will trash the relationship. It's about trying to make sure that piece of 'grit' is found quickly before it does too much damage. From that standpoint we're seeing the initiative as really valuable too."

While Voice of the Client data is mapped on an individual banker level, Mitchell and Tate are keen to emphasise that this is emphatically not about giving bankers "bad marks" (although client feedback is "baked into" discretionary compensation structures to a degree). Tate explains that he was in fact "adamant that we didn't put a scorecard number down for people" and said that instead the bank's approach is very much about looking at feedback data in context.

GROWING ENTHUSIASM

With bankers assured that they have nothing to fear from formalised client feedback, enthusiasm for the Voice of the Client initiative continues to grow within Citi Private Bank – despite bankers' initial reservations. "Now we've proved to people that there are serious gains to be had from it we're not getting resistance at all. In fact, we are actively being encouraged and asked to do this," said Tate, adding that after the project's first pilot market managers "from basically every geography" began actively asking him when their area could become involved.

> *"Now we've proved to people that there are serious gains to be had from it we're not getting resistance at all. In fact, we are actively being encouraged and asked to do this"*

According to Mitchell and Tate, one of the key factors behind the internal success of the Voice of the Client initiative is the bank's complete "ownership" of the project, since no third parties have been involved at any stage, and the highest echelons of management are seen to be making *strategic* use of the data gathered. This "actioning" of feedback data is also highly visible to clients, since any specific actions and changes suggested are revisited after six months (this may be online or in person).

INDUSTRY KUDOS

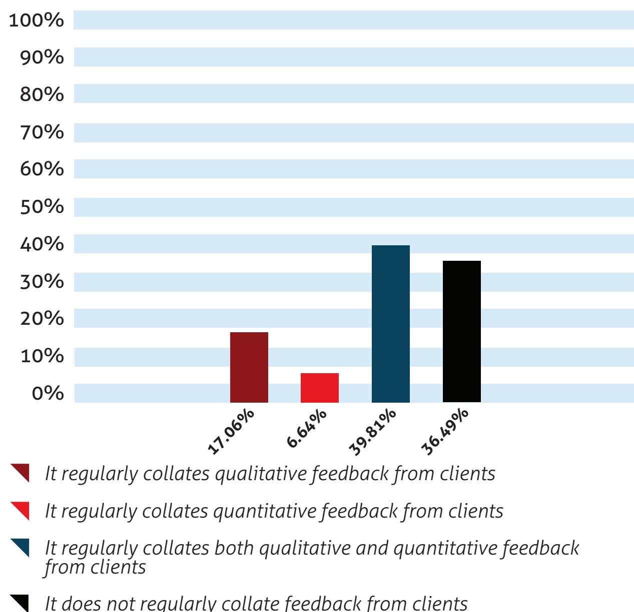
Mitchell believes that the Voice of the Client initiative means that Citi Private Bank is "really at the forefront of things" when it comes to the strategic use of client feedback, and the bank has actually been singled out for this in winning several prestigious industry awards; clients' advisors are also really impressed by it, said Mitchell. So why is it that more wealth managers aren't making similar moves?

According to Mitchell and Tate there are several reasons behind this. "There are a lot of people out there who are dragging their feet, for whatever reason, be it headcount, costs or worries about how they execute it," said Mitchell. It is perhaps ironic that it is sometimes the least "visible" investments – like client feedback initiatives – which are the ones which yield the best results. In Citi Private Bank's case at least it would seem that such investment is really paying off, not just in ensuring happier clients but also in terms of the bottom line.

CLIENT INSIGHT: THE EMERGENCE OF A TWO-SPEED INDUSTRY?

The reader survey seems to have revealed that wealth management is currently a two-speed industry when it comes to the systematic collation of client feedback. While 40 per cent of respondents said that their firm regularly collates *both* qualitative and quantitative feedback from clients, 36 per cent said their firm does not regularly collate client feedback *at all*. Meanwhile, 17 per cent of respondents said their institution regularly collates qualitative feedback from clients, and 7 per cent are going down the quantitative route.

When it comes to obtaining client feedback on service provision and experience, what best describes current practice at your firm?



While advocates of client feedback initiatives might well be disappointed that only 40 per cent of wealth managers are regularly collating both quantitative and qualitative feedback from clients, several of the contributors pointed out that actually this is still a really positive indicator of progress. Wealth management has not, historically, been at the forefront of such things.

The reasons behind this are complex, and it should not be forgotten that the financial services industry in general has not been as concerned with systematically gathering client feedback as sectors which are more "obviously" service-led. Change is however well under way and wealth managers are increasingly coming to terms with a new reality where satisfaction and a great client experience are things to be accurately gauged, rather than just stated in marketing materials.

This has necessitated quite a cultural shift for the industry, the editorial panel members pointed out. One of the main hurdles to be overcome was the erroneous notion that HNW clients don't *want* to give feedback - that they are simply too busy and discerning with their time to do it, or that things like client satisfaction surveys are too "low rent" for the rarefied world of private wealth management. In the words of Seb Dovey, the industry has been "impeded by this 'anecdote' of a client who said that they would never fill in a survey".

Lisa Worley added that in the past there was an "element of laziness and inertia in the industry that felt it wasn't necessary to ask clients for their opinions." She also pointed to "a certain arrogance" historically within the industry, in that it believed it knew exactly what clients wanted.

The disruptive influences of recent years, from the global financial crisis to the explosion of social media, have arguably humbled the industry to a degree, and engendered a cultural shift whereby firms are ready to take client feedback seriously. But while the industry has come a long way in broad terms, there is clearly still some way to go if over a third of firms are not doing anything systematic as regards client feedback.

> *"Dissatisfied clients often stick with the same provider; and some satisfied ones leave because they are attracted from a satisfactory service to one that promises to be better"*

The wrong metrics?

For James Edsberg, the real problem is that some firms are stuck in the past and "still tracking the metrics of yesteryear", like assets under management or rankings of market share. Of course, these "stats" are still important indicators of how well a firm is doing, but Edsberg believes that by relying on them in isolation firms "aren't getting the full picture" – and this ultimately might lead to poor strategic decision-making.

"The data on which the management teams are basing their decisions on is a reflection of the last three decades of wealth management – by this I mean it's obsessed with rankings and is insight deficient. It's often light on true insight into client buying behaviours and loyalty," he said. Explaining further, Edsberg said that a firm might see a relatively low client churn rate as proof it is performing well on client satisfaction. However, as he points out, "dissatisfied clients often stick with the same provider; and some satisfied ones leave because they are attracted from a satisfactory service to one that promises to be better". But while an element of apathy can mean that unhappy clients remain "sticky", such individuals are clearly unlikely to act as net promoters of the brand.

In fact, as Dovey points out, even the concept of Net Promoter Scores - a key one in consumer client insight - is "quite new to wealth". But

as important as Net Promoter Scores are as a performance metric, he also cautions that other satisfaction indicators should be considered, along with a whole host of others, such as consumption, brand impact/awareness and productivity levels. "All of those should add up to giving a board a better sense of direction and how connected they are to current and future clients," he said.

In for the long haul

While Dovey is pleased that many firms have recently "found religion" about client insight, he believes that some are "doing it for the wrong reasons", such as for media relations purposes, rather than being really committed to it for the long term. "Client insight is a process and isn't just one time. You have to believe in this process and set it up properly. We're very worried that sometimes it's just done 'on the fly'," he said. Furthermore, this process needs to be meticulously planned down to the finest detail so, for example, the look and feel of a client survey doesn't undermine brand experience.

While the need to engage in client insight is clear, firms need to recognise, in the words of Dovey, "that it's painful to do" - not least because of the myriad measures and methodologies firms have to choose between.

CLIENT FEEDBACK: TOWARDS A MIXED METHODOLOGY

In the words of Edsberg, a lot of the "pain" around embarking on client insight "is about people not knowing how to approach it". Like branding and marketing, in many ways client insight is both an art *and* a science, and so it is difficult to be prescriptive when the target markets, models and "style" of wealth managers vary so widely. Also, while other sectors may have a lot to teach the industry about client insight, these lessons cannot be adopted wholesale due to the specific characteristics of the HNW/UHNW segment. Wealth management could also be said to represent an awkward case since although it is a service-led industry, service in itself is not the product. Even still, the panellists did identify some core pillars of a robust client insight programme.

As a first point, several of the panellists were rather alarmed by the fact that 17 per cent of survey respondents said their institution focuses solely on qualitative feedback, while 7 per cent are only doing quantitative work. Due to the inherent biases in each approach, they warned that going wholesale down one route is likely to result in an extremely skewed picture. "Not relying on any one capture mechanism is important – we have to recognise that clients' answers to surveys don't always align with how they are behaving, behavioural insight is equally important as soliciting additional input from them," said Anne Grim.

Forward-thinking wealth managers are using a mixed methodology to iron out biases and deliver rich data which can be used strategically for the good of both clients and the firm. Below is a sample of the insights given on some of the research methodologies in use today.

Client surveys

- **Frequency** – in order to obtain meaningful data sets that can be compared over time, a representative survey of clients will need to be polled regularly. However, Dovey cautions that "frequency levels certainly need to increase, but you also have to bear in mind survey fatigue."

- **Wording** – adherence to the best practice guidelines of a body such as the Market Research Society is advisable to avoid common errors which may confound survey results. "You have to be very careful around adjectives and leading questions," said Catherine Tillotson.

- **Length** – surveys need to generate rich data, without being too onerous to fill in. Many firms seem to have arrived at ten questions as a workable compromise. Interestingly, Tillotson notes that one or two-question surveys are trending in the retail space and that these are a good way to get volume.

- **Channel** – while some clients would perhaps respond to a direct mailing, others might prefer to answer questions over the phone. For convenience, online surveys - particularly ones which can be completed via a mobile device - are where many firms will want to concentrate their efforts.

- **Format** – although tick-box questions do offer ease of completion, free-form comment boxes are advisable so that additional insights are not lost. Also, Dovey believes "the industry hasn't got itself attuned properly yet to be able to ask the right questions, so to do it any other way would be wrong".

Staff surveys

The views of front-line professionals can be invaluable, but for data to be meaningful staff must be able to speak freely. By way of example, RBC Wealth Management recently had the VIP Forum go confidentially to its staff to get quantitative feedback on how well the firm is performing on client experience. A similar piece of work has also been undertaken with Scorpio Partnership. Staff also provide anonymised comments on how well they feel the firm is doing on client experience, Mike Moodie explained.

Complaints

It might be a somewhat unpalatable prospect, but deeply analysing client complaints can generate very rich data. As Moodie points out, a complainant is in reality "somebody who is a real advocate for your business because they've taken the time to actually tell you – usually the people who are really ticked off just leave." As such, many of the contributors said that senior leaders should follow up client complaints to ensure the firm has really understood what has taken place.

Furthermore, as Grim pointed out, thoroughly following up complaints is essential as it allows firms to carry out a root cause analysis of problems which have arisen. And like exit interviews, if complaints are dealt with well they can actually be very positive for relations.

> *"If you can turn a complaint around with efficiency and compassion, and it's handled really well, the satisfaction and the client advocacy can actually go up"*

"If you can turn a complaint around with efficiency and compassion, and it's handled really well, the satisfaction and the client advocacy can actually go up," said Grim, adding that complaints should form part of a feedback loop once issues are solved. "It is powerful to say to the client, 'You went through this experience and we've learned from that and made some changes. We want to thank you for your patience with us, we again apologise but you've made a difference to other clients as well' – those are 'wow moments' in client experience."

Client care calls

Calling clients just to find out how things are going is another useful tool in the client insight armoury. As well enriching other data around what is working and what is not, calling clients simply to "check in" with no pitching objective in mind is invaluable in building rapport with the organisation and showing a personal touch, Grim pointed out. Many firms have the most senior leaders (even the CEO in some cases) carry out client care calls and it's clear to see how this might constitute a "wow experience" in itself. However, some clients might not appreciate such a call "out of the blue" and so their openness to this should perhaps be gauged at onboarding.

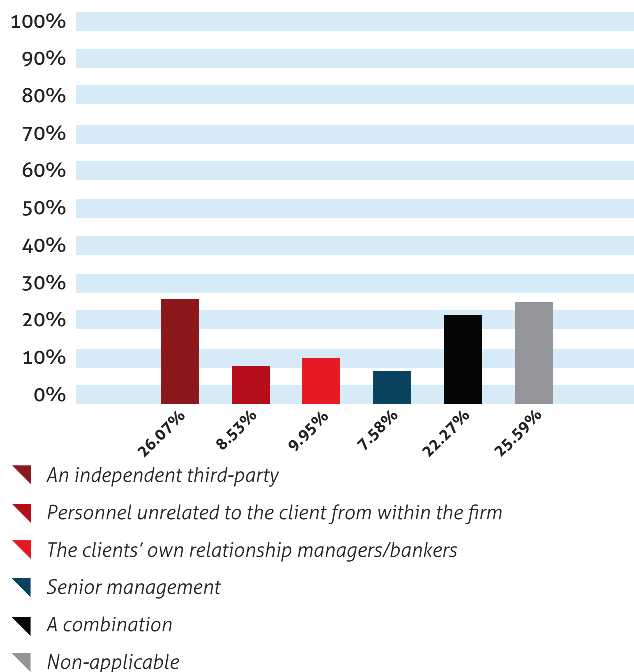
Client interviews

Many wealth managers see value in performing in-depth interviews with clients to investigate in person the experience they are getting (the value of exit interviews is addressed elsewhere in this report). While some firms carry out client interviews in a very prescriptive way, others like Citi Private Bank (see page 39) focus on specific issues but within a flexible framework. As the interview with Mr X on page 12 illustrates, sitting down with a client for an hour or so can result in a very free and frank discussion, and even uncover insights which may have slipped the client's mind. However, it should be borne in mind that these kinds of interviews won't be something that every client will have the time (or inclination) to participate in. A further caveat is that if clients do invest their time in this process the firm has to fully evince its gratitude by having a person with the right level of gravitas (and ability to effect change) carry it out. In the view of many of the experts interviewed for this report, this *has* to mean senior management – with the corollary that usually only key clients are invited to take part.

THIRD-PARTY OR IN-HOUSE?

If we accept that a mixed methodology is key when it comes to capture methodologies, it follows that firms will need to consider very carefully who the right party is to gather this data.

If there is a formal process for gathering qualitative client feedback, who is it carried out by?



At a very simplistic level, having relationship managers ask clients for feedback carries with it a risk of both participant and interviewer bias – leading questions being a case in point, along with the simple fact that clients might not want to say negative things to someone they like personally. As Dovey notes, "It's not that we don't trust the relationship managers, but they can't be the only source of client insight data." Wealth management firms are clearly cognisant of this fact since only 10 per cent of the survey respondents said that clients' own relationship managers collate qualitative client feedback. (A further 9 per cent said that feedback is gathered by "personnel unrelated to the client from within the firm").

As previously mentioned, when it comes to gathering qualitative feedback there will be cases (like interviews or complaints) where it is appropriate for senior management to gather it. This is, however, far from common practice it would seem, since the survey found that qualitative feedback is obtained by senior management at only 8 per cent of institutions (although it should be said that the actual figure might well be somewhat higher since 26 per cent of respondents said their firm uses a mixture of parties to obtain client feedback).

Exactly the same proportion of survey respondents said that feedback is collated via a third party at their firm. That over a quarter of the firms which do regularly collate qualitative feedback fall firmly into the third-party camp is perhaps not surprising given the advantages that this choice offers, the contributors said.

> *"If being questioned by somebody internal the client may feel that the feedback they're giving will have consequences for individuals within the bank so you might never hear the truth"*

Objectivity

The most obvious advantage of having an independent third-party carry out research is objectivity – both in terms of how the questions to be asked are formulated and their delivery. "An independent third-party interview team provides unbiased, professional interviewing skills that can be written-up and analysed fairly," said James Edsberg. "In that way, the whole organisation feels confident that the clients' voice has been captured faithfully, intelligently and sensitively."

Being questioned by an independent party might also allow clients to speak more freely. As one of the panellists remarked: "If being questioned by somebody internal the client may feel that the feedback they're giving will have consequences for individuals within the bank so you might never hear the truth. If you have a third-party mechanism for getting feedback then problems might be more likely to be uncovered."

The same objectivity considerations apply to the analysis of the data gathered, since that can also be subject to reporting bias. "What third-party research is useful for is validating what you are seeing through your own experiences so you can analyse it in a more critical way," said Moodie.

While having research carried out by a third party has clear advantages, the contributors unanimously said that this is not sufficient alone because research data has to be seen in context, both for the individual client and the wider client base. Several of the panellists said that third-party research is best thought of as a way to "test" the hypotheses the firm has internally or as an objective "check-up" - it should only ever be one element of the client research toolkit.

FOLLOWING THROUGH

As previously outlined, client insight needs to be thought of as a continuous process, and a crucial part of this process is relaying findings back. Feeding back to the organisation as a whole and to individual staff members is addressed elsewhere in this report, but reporting back to the clients who have contributed views must also not be forgotten. "Clients are conscious consumers, if they are giving feedback at this level of wealth they expect that when they give feedback that they get a result. If they give you information you have to go back to them with a response," said Dovey. "Any feedback needs to be taken on board and taken with respect, and that means getting back to clients to let them know what's going on," added Brannan. Quite apart from this element of respect, feeding back to clients is also crucial to convincing them of the worth of the exercise. Without this they are unlikely to want to engage again, eroding firms' ability to obtain meaningful data on an ongoing basis.

HOW WELL ARE WEALTH MANAGERS LEVERAGING CLIENT INSIGHT?

The reader survey revealed that close to two-thirds of wealth managers now engage in some sort of client feedback initiative. But when it comes to embedding these metrics in the strategic decision-making process and using them as a KPI, the survey revealed a significant divergence in practice across the industry. While 48 per cent of respondents said that client feedback metrics are integral to their firm's assessment of its own performance and drive business strategy, 36 per cent of organisations are taking a less systematic approach, disseminating feedback to staff and management but not really using it systematically. The remaining 16 per cent reported that "little use appears to be made of client feedback" at their firm.

> *"Listening to and understanding what clients are saying, and then acting on this insight is crucial if firms are to move forward"*

According to James Edsberg, wealth managers need to realise that metrics like rankings and market share are *outcomes* of client experience and that by focusing only on the competition they are "just going to go round and round in circles". Listening to and understanding what clients are saying, and then *acting* on this insight is crucial if firms are to move forward. "Outperformers have more access to data, greater capacity to draw meaningful insights and, perhaps most important, a stronger ability to act on those insights," said Robert Steedman, partner and UK wealth management lead, IBM Global Business Services. "Essentially, they are insight-driven."

Despite this, the strategic use of feedback metrics remains "frustratingly low", said Seb Dovey, adding that just because boards are looking at this data doesn't mean it is being used to the full. Part of the reason behind this is that "it's actually very difficult to embed this data in a business", noted Catherine Tillotson. With this in mind, the value of having a dedicated client experience head seated "at the top table" comes into stark relief.

Continuing this point, Edsberg noted that often there is a "big communication challenge within banks" and that often the lack of attention given to client feedback data is down to a simple disconnect. "Some management teams are still rewarded for rankings and market share and people naturally focus on the metrics on which they are rewarded," he said. This is despite the fact that, in the words of Jo Causon, "there is a direct correlation between organisations' customer satisfaction levels and their overall performance."

SOUND DECISIONS

The primary practical value of using feedback data strategically is so that management teams can ensure they are making sound decisions in light of the demand trends among their own client base. Mistakes are easily made on the basis of erroneous information, said Dovey, citing philanthropy services as a powerful historical example of this. "There was a lot of hearsay in terms of what the wealthy person wanted in terms of philanthropy and that was enough for every top 50 firm to launch a philanthropy business but without ever talking to their own customers about whether that was relevant to them," he said. Conversely, with the support of robust feedback metrics firms can be more confident in breaking away from the pack. We could think here of the initial reluctance of wealth managers to consider offering mobile apps; now scarcely a week goes by without another launch.

As well as helping senior leaders avoid "misreading" their client base, firmly embedding client feedback data in strategy serves a wider practical purpose in that it helps firms to *codify* what they need to do to improve client experience – to translate principles into practice. "I think that disconnects occur when concepts, such as 'We need to improve the culture', are not broken down into 'What can we practically do and what really influences these?'" said Ged Brannan.

> *"There is a direct correlation between organisations' customer satisfaction levels and their overall performance"*

PROOF POINTS

As well as client feedback identifying areas of weakness, having robust data points for progress to be measured against can also clearly be very good for staff morale. But when it comes to the public use of feedback metrics the panellists were somewhat divided. While some said that using client satisfaction scores and so on in marketing collateral perhaps sits more comfortably in the retail space, others advocated a far more open approach. "How can we prove that we are living the set of values that we've set out as part of our brand purpose for the organisation, particularly around service and excellence, if we're not playing back to our clients how we're doing in those areas?" said Worley. Since client satisfaction does correlate to profitability it was also pointed out all stakeholders should perhaps be privy to this information as a KPI. In the end however, these decisions come down to the individual "style" of each organisation, it was said.

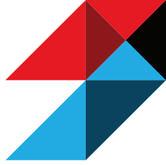
One further way in which client feedback metrics are an invaluable part of the strategic decision-making process is in helping to build a business case for client experience-related initiatives. With cost pressures mounting on various fronts, it can be hard for client experience officers to secure investment for what might be seen as a cultural initiative, when investing in a new technology platform or not cutting headcount could be seen as a better use of funds. Using feedback metrics to identify the need for investment and then to subsequently assess the impact this has made (both financially and non-financially) is then vital to ensuring client experience initiatives are seen as a real contributor to the bottom line. These initiatives might not be cheap, and they may not be the most "visible" of investments, but they shouldn't become the first thing "on the block" when firms are looking to cut costs. "If you really want to transform client experience you've got to invest in it - whether it's skills, the training, the technology, the architecture - it's about all of the foundations you need to put in place. You can always make something look nice and shiny but you can't change what's under the bonnet without significantly investing in it," said Tim Tate, global head of client management at Citi Private Bank.

IN FOCUS: AN AWARD-WINNING CLIENT SATISFACTION STRATEGY

In 2012 Barclays Wealth and Investment Management won the Institute of Customer Service's Leadership Factor Best Customer Satisfaction Strategy Award.

Barclays stood out because its strategy included "all the key tenets of a good approach to improving customer satisfaction", said Jo Causon, CEO of the Institute, explaining that the firm:

- Measured and showed evidence of improvement
- Focused on the leadership structure being strong
- Used technology well to deploy the programme
- Drove employee engagement through the customer journey
- Gave opportunities for customers to input and give feedback
- Put in place market benchmarking
- Ensured the solution was scalable so it could be rolled out across the business



Barclays beat a tough group of household-name competitors including Boots, and firms are going to have to recognise that they are being compared this widely going forward, explained Causon. "A big mistake a lot of organisations make is that they benchmark themselves against their own sector, but the reality is that as clients and consumers we don't compare like that," she said. "We don't say 'this organisation is better than this one in this sector', we benchmark against the best service that we get."

USING CLIENT FEEDBACK TO SHAPE STAFF BEHAVIOUR

Just as forward-thinking firms are firmly embedding client feedback into business strategy and how they behave as institutions, they are also using these metrics to shape the behaviour of staff. What is more, a significant chunk of the industry seems to be approaching this very systematically indeed: the reader survey found that 28 per cent of firms now use client feedback metrics as part of formal staff appraisals and the setting of discretionary compensation levels. However, the majority (58 per cent) say that at their firm feedback metrics are fed back to advisors to encourage best practice, but individual feedback is not mapped. Disappointingly and counter-intuitively, the remaining 14 per cent of respondents said that client feedback is not relayed back to advisors at all.

That nearly a third of institutions are now using client feedback in individual performance management shows just how seriously the industry is taking fully leveraging these metrics. But while this approach can deliver a whole range of benefits for firms, the use of feedback at the level of the individual relationship manager must be sensitive if it is not to be counter-productive, the contributors to this report said.

> *"From an employee perspective it may feel bureaucratic and just a tick-box exercise, so what organisations need to do to entrench the right behaviours is to show staff how powerful that information can be"*

As with any initiative, securing staff buy-in is absolutely crucial; bankers need to know that client feedback is emphatically not a "blame game" and really be on board with the rationale behind its use. According to Anne Grim, firms need to be aware that "from an employee perspective it may feel bureaucratic and just a tick-box exercise, so what organisations need to do to entrench the right behaviours is to show staff how powerful that information can be". They might, for example, use it to perform root-cause analyses of the issues clients are experiencing so that infrastructural problems can be ironed out, she explained. As such, firms need to reinforce that relationship managers have nothing to fear from the granular analysis of client feedback and that there is real value in it – for the client, the institution and their individual professional practice.

POSITIVE REINFORCEMENT

If firms are using client feedback as part of the setting of discretionary compensation levels then of course the onus will be on measuring how well the relationship manager is delivering against client expectations. But this has to be about positive reinforcement rather than "marking staff down", the panellists cautioned.

Fostering a culture where bankers want to deliver on the expectations set by the brand should actually be the starting point for firms, explained Ged Brannan, "since employees have got to buy into delivering that before you can even go near actually delivering". Reward mechanisms like discretionary bonuses are clearly an important part of this, but he added that non-financial recognition can be just as important for employees – especially from their peers. While the idea of celebrating the delivery of superior client service during staff line-ups might raise some eyebrows within the wealth management industry, several of the panellists believe that the underlying principle of the practice is sound – namely in bringing a culture of service excellence to life.

"Sharing stories about what works for clients and what's been successful across organisations is fundamental to their ongoing learning," said Brannan. "Often it's not the systematic processes and procedures which are in place which end up making clients have a great experience, it's the small human touches, the way a team has come together."

According to Brannan, the sharing of what's worked well is "critical" and is in fact something which many firms are already doing really well, if by a less overt broadcast mechanism. In fact, performance management could be presented to staff as a forum in which they can share the "wow" experiences they have delivered for clients.

But while performance management is certainly about assessing where relationship managers have (or perhaps have not) excelled in client service, the contributors to this report emphasised that the onus has to be on organisation-wide performance when looking at client feedback. "By putting client experience at the heart of everything we do, every single person within the organisation has a role to play. Therefore, if we are going to use client experience metrics as a way of determining whether we are successful or not that needs to apply to all staff and not just some. I think gone are the days of back office and front office – now we see that everyone has a part to play in the customer journey," said Lisa Worley. In her view, the right approach is "evaluating the collective success of individuals".

Staff working across all touchpoints clearly need to be motivated to meet (and hopefully exceed) clients' expectations, and so firms need to be clear on exactly what they expect from employees. But here again the panellists advised a careful approach whereby the emphasis is on empowering employees to deliver a great client experience rather than necessarily micro-managing them too much. Not only are the overwhelming majority of bankers absolutely committed to always doing their best for clients but to an extent they will be the ones who know best how to do this, it was said.

PRESERVING ENGAGEMENT

While it is vitally important that performance management and reward structures are used to shape the attitudes and behaviours of employees, this must not be to the detriment of their engagement with what it is the institution is trying to achieve: a better experience for clients and therefore more rewarding relationships for all. Embedding client feedback in performance management needs to be "sold" to employees in the right way.

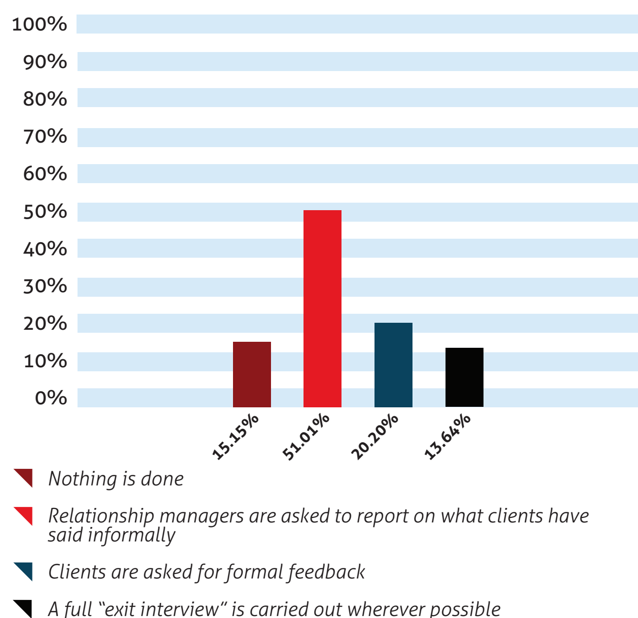
Firms might initially experience some pushback against the notion of client feedback being mapped at an individual level, but the experience of Joss Mitchell is that bankers come round pretty quickly once its value to their individual practice becomes clear. Speaking on Citi Private Bank's "Voice of the Client" initiative (see page 39) Mitchell said: "Bankers are increasingly realising that this is really valuable. Initially they were unsure and wary of being criticised, whereas now they are saying 'OK, I'm not getting this bit right, let's focus on that' and off they go."

Much of the work currently being done around improving client experience seems to have called for quite a cultural shift on the part of both institutions and relationship managers. Front-line staff can quickly be convinced that client feedback is about facilitating them in delivering great client service – it's just that the messaging needs to be more along the lines of "knowledge is power" rather than laying the blame for any dissatisfaction solely at their door.

EXIT INTERVIEWS – THE ULTIMATE FEEDBACK MECHANISM?

In a human resources context, carrying out exit interviews with departing staff has long been regarded as good practice as this supplies a wealth of frank insights on organisational improvement. The same rationale underpins why there may be great value in wealth management firms performing formal exit interviews with departing clients. However, it would seem that at present only a small minority of institutions are engaging in this.

When clients either leave your institution, or significantly reduce the assets held with it, what best describes what happens to evaluate why?



Only 14 per cent of the survey respondents reported that their firm carries out a full exit interview wherever possible – although a further 20 per cent said that clients are asked for formal feedback in some way. Instead, over half of respondents (51 per cent) said that their firm asks relationship managers to "report on what clients have said informally". The remaining 15 per cent of respondents said that "nothing is done" when clients leave.

RICH DATA

According Ged Brannan, there is "enormous value" in carrying out exit interviews because "as an information-gathering opportunity they are almost as rich as you can get" and will yield more in the way of useful information than a number of other feedback methodologies. But as well as generating rich data, exit interviews are also a vital part of an institution forming a *balanced* picture of how it is performing on client satisfaction. "It [exit interview feedback] is also data that you can measure against the satisfied customers – it's a counterweight," said Catherine Tillotson.

In addition to counterbalancing positive feedback (which is of course subject to selection bias), several editorial panel members also pointed out that as a (perhaps) final interaction exit interviews are vital for leaving a good impression. According to Tillotson, they are "the fulfillment of the last part of the brand promise" (which in this sector will undoubtedly be around client-centricity and high-touch service), but for Mike Moodie, the value of exit interviews can be put even more simply: they are "a sign of respect".

Moodie sees exit interviews as an essential demonstration that the firm really valued the relationship. Moreover, he pointed out that a client being left feeling that nobody cared enough to ask them what happened or if something could have been done to amend things is something to be avoided at all costs.

TURNING THINGS AROUND

Obviously, a further way in which exit interviews can prove invaluable is that they offer the possibility of persuading clients to stay. But while the contributors agreed that exit interviews do carry this potential, they all emphasised that great care needs to be exercised here. "Exit interviews are an opportunity to turn things around – but my caution would be that the primary purpose of that should not necessarily be to turn a client around," said Brannan. "The primary purpose of the exit interview or 'offboarding' process should be to gather information and make the client feel that they've been listened to."

> *"Occasionally you can save the relationship, but if the client goes into the conversation thinking that that's your objective it loses credibility"*

A scenario mentioned by several panellists was the way in which many utilities companies aggressively try to deter departing customers. Not only can this kind of "grasping" be very unpleasant for the recipient, but it also undoes the work of trying to leave a good last impression, they noted. "Occasionally you can save the relationship, but if the client goes into the conversation thinking that that's your objective it loses credibility," said Anne Grim.

The over-riding message from the panellists was that exit interviews need to be carried out with the utmost sensitivity: the client should feel convinced that their views as a valued client have been heard and will be acted on, but they should never feel badgered to stay. Equally, while the firm should appear keen to get feedback, the client should not feel pressured to take part in an exit interview. "It's not something to push *at all* if they say no," said Brannan.

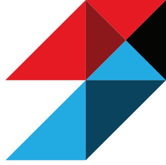
In fact, several contributors pointed out that circumstances might dictate that an exit interview just isn't appropriate. As Moodie notes, sometimes a departure can be down to deal dynamics, price considerations or any number of variables which do not need to be "discovered" via an exit interview. It was also pointed out that a client departing does not by any means signify a permanent unwillingness to ever do business with that institution again - clients are, after all, multi-banked in general and both the client's needs and the institution in question are likely to change over time.

> *"Often when a client has left it's because they've been promised all sorts of wonderful things which actually they don't always get"*

Seb Dovey agreed that clients often do come back, pointing out that the wealth management industry sells itself on the basis of a long-term commitment and that when clients enter a relationship "they've bought you, they've bought the relationship...nobody wants to divorce". Bruce Weatherill added that "often when a client has left it's because they've been promised all sorts of wonderful things which actually they don't always get" – meaning that they can often want to come back quite soon. This, he points out, is a powerful reason why advisors should continue to talk to old clients to see how things are going for them now. To continue the relationship analogy, perhaps then exit interviews should be thought of more as a precursor to a "break" rather than a permanent parting of ways.

FORMAT AND DELIVERY

The value of exit interviews in terms of obtaining feedback and as a branding statement seems incontrovertible. However, the panellists were not prescriptive as to methodology - some saw more



value in an objective third party carrying out the interview, while others believed that the involvement of senior management sends the right message of respect. They also said that firms should be flexible on approach, and that while for lower-value clients a standardised questionnaire might be sufficient, for high-value clients a conversation with a senior manager is more appropriate. (Indeed, most said that a senior manager should be brought in to deal with "at risk" clients *well* before an exit is imminent). In terms of format, "face-to-face is always better if the client is willing to commit the time," said Grim, "but a phone call can work as well".

FOLLOW THROUGH

Another salient point from Grim was that exit interviews need to be followed up with sincere thanks to the client for giving feedback and then them being told further down the line what actions (if any) were taken in response. Carrying out exit interviews can clearly be of great benefit to institutions' efforts to improve their performance, but are clearly quite an effort for clients, and she noted that former clients would appreciate knowing that their feedback was taken seriously and that they've made things better for other clients (even if they themselves don't return).

Leaving clients with a positive memory of an exit interview is clearly key, and displaying the maximum sensitivity to their feelings while also trying to capture as much information from them as possible is a delicate balancing act. Exit interviews may be a virtually unrivalled means for firms to gather feedback on where things could be improved, but, in the words of Brannan, "the experience of that gathering has to be *superb*". As such, several of the editorial panel members suggested that specific training might be needed for those carrying out exit interviews. It also needs to be considered that - if done properly - exit interviews are a significant investment of senior managers' time (if that is the chosen route).

All these constraints go a long way towards explaining why so few firms currently carry out formal exit interviews and prefer instead to rely on informal feedback from relationship managers. What is more surprising is that 15 per cent of respondents said that when clients leave their firm "nothing is done" to explore why. Wealth managers put huge efforts into attracting new clients and so it seems counter-intuitive that such a proportion are content to see them ultimately walk out of the door without a proper goodbye.

DEEPENING RELATIONSHIPS, REWARDING LOYALTY

Wealth managers put a lot of time and effort into winning their clients, and once they are "in" retaining their business over the long term - and hopefully extending the relationship into the next generation - is naturally their priority. But at the same time as firms are deepening relationships with their existing customers they must always be courting new ones, and so arises one of the most delicate balancing acts the industry faces – that of wowing new, possibly tentative clients, and making sure that old ones are not forgotten.

On this issue the reader survey revealed what to several panellists was something of a surprise finding: only 21 per cent of respondents said that at their firm long-standing clients enjoy rewards not offered to new ones. A clear majority of 64 per cent said no such differentiation is made by their institution, while the remaining 14 per cent said they did not know if they did.

No matter what the complexity of an individual's needs, it always needs to be borne in mind that wealth management is at heart a "luxury" service for which clients pay a premium. The extent to which they will remain happy to pay that premium depends on a whole range of factors, which will of course predominantly be around the "health of their wealth", but feeling that their business is valued by the firm is clearly also an important one. We all like to feel valued and special in our relationships, both business and personal, and wealth management is no exception, the panellists said.

There are compelling reasons for making clients feel valued from a business perspective: longevity is usually a sign of loyalty, which in turn is probably a good predictor of advocacy. In fact, if a wealth manager can make a real brand advocate of a client, in that they make referrals among their peer group, there is arguably no better way of winning new business.

Making a big effort to ensure long-standing clients feel valued and rewarding them for their loyalty is therefore clearly warranted. But as firms jostle to garner new assets there is a danger that too much of their attention can be focused on wooing new clients at the expense of those who have been around for years. To a degree this is natural: newer clients will likely release assets to an institution in tranches as their engagement and faith in it grows, and so a desire to increase share of wallet probably accounts for the fact that, as one panellist put it, "in general new clients are probably treated more".

> *"The key here is that bankers need to be attentive at all times in order to keep up the high level of service and ensure that the client isn't taken for granted"*

"GETTING COMFORTABLE"

The analogy of a romantic relationship is an obvious one to draw in discussing this issue, as all the same dangers around "getting comfortable" arise. "The key here is that bankers need to be attentive at all times in order to keep up the high level of service and ensure that the client isn't taken for granted," said Anne Grim, while Ged Brannan speculated that what might be happening is that longstanding clients could be regarded as "safe business". It might be natural for attention to drift away slightly from clients who have proven themselves to be loyal, but he warned that "if that is intentional in any way, shape or form then that would be relatively naïve, given the nature of family relationships and the way that wealth transfers through generations."

Several of the contributors said that actually clients should feel increasingly valued as the relationship continues and that they should eventually almost feel "part of the family" (and the wealth manager part of theirs). However, the internal changes at institutions which will inevitably be wrought by the passage of time can actually erode a client's feelings of being known and valued. "When there has been some turnover at the senior level I can see that the potential for a lack of attention and focus could creep in at some firms," said Mike Moodie. It could also be argued that there might be a slight tendency for relationship managers to focus on relationships they themselves have nurtured from the get-go, rather than ones which have transitioned to them.

What wealth managers are grappling with are then natural psychological tendencies and inevitable organisational change. So what can firms do to mitigate against these dangers?

Extending the romance analogy further, several panellists pointed to the need for a firm to periodically refresh the relationship by trying to look at the client through new eyes; indeed, clients and their circumstances can change so radically over time that firms will already be doing this as part of their ongoing suitability and risk-profiling assessments. Adding an overlay of asking what else can be brought to the table to enhance the relationship is just a natural extension of this process.

"I really endorse the programme of sitting down with a standard set of discovery questions to get at issues like 'how are we going to add value to the things that matter to you?'" said Moodie.

In his view clients have to be treated as equal, but different; the same amount of "face time" has to go into the relationship, but while for new clients this will focus on educating them on peace of mind issues, for long-term clients "discussions will be much more around how their objectives are going, how their family is and how their business interests and hobbies are going." "Things are in place, it's just checking in, but with a much more personal update," he said.

> *"If we've had a ten-year relationship successfully with a client then I would hope that they'd certainly feel rewarded by the quality of the relationship and the service that we're able to provide them based on a deep understanding of their needs and their goals"*

A point which came up repeatedly is that to a degree the longevity of the relationship should in itself reward the client. "If we've had a ten-year relationship successfully with a client then I would hope that they'd certainly feel rewarded by the quality of the relationship and the service that we're able to provide them based on a deep understanding of their needs and their goals," said Lisa Worley. By knowing clients better firms can provide them with more tailored information and advice, but also more tailored hospitality, networking and educational opportunities. But while understanding grows over time, firms need to keep responding to clients' needs as they would a new client, it was said.

PROPORTIONALITY

Apart from the intrinsic rewards of a longstanding relationship, there is still a lot to be said for exclusive hospitality events and the like. Here, firms wouldn't want to be seen to be doing more for prospects than for long-term clients as opportunities should be about rewarding loyalty, Worley pointed out.

Clearly, it is also imperative that client appreciation efforts are proportional to the amount of business a client represents. But as discussed elsewhere, this also needs to be weighed against the client's *potential*. Additionally, resources need to be deployed for maximum satisfaction and advocacy gains, therefore client appreciation efforts need to be precisely targeted to enhance the quality of the relationship and continually deepen the firm's understanding of the client. The elective element of Barclays "Little Book of Wonders" offering represents a significant innovation in this regard.

According to Brannan, when it comes to client appreciation wealth managers should be thinking in terms of a clearly mapped "reward cycle" in which there will be things going on during the all-important joining experience but also on a frequent basis for longstanding clients. As Worley said, "valuing all clients equally, and showing them that you do, is key".

The challenge facing firms is at each stage of the client relationship to work out further ways in which they can continue to deepen the relationship for the good of the client, concluded Brannan. As such, it is easy to see why a significant proportion of institutions now systematically research clients' lifestyles and interests as they move to embed themselves more fully in their lives.

> *"Valuing all clients equally, and showing them that you do, is key"*

IN FOCUS: LITTLE BOOK OF WONDERS – A PROACTIVE, PERSONALISED APPROACH TO CLIENT APPRECIATION

Lisa Worley, global head of marketing at Barclays Wealth and Investment Management, and David Hughes, head of Little Book of Wonders, explain how the firm's "Little Book of Wonders" lifestyle web portal is a rare "win, win, win".

The task of impressing the discerning HNW segment with exclusive events is a difficult one, not least because most are multi-banked and are therefore being wooed by several institutions simultaneously. In a bid to offer exceptional experiences for clients many firms have gone down the concierge route, however rather than waiting for clients to come up with ideas to be executed on their behalf, Barclays Wealth and Investment Management has decided to approach the task more proactively by going right back to the drawing board.

Little Book of Wonders is a lifestyle web portal which offers select clients a range of money-can't-buy, pre-vetted events and experiences via a range of luxury brand partners like Rolls-Royce, Sotheby's and Dunhill. Described by Hughes as a "curated world" of exclusive opportunities, Little Book of Wonders is in many ways breaking new ground in client appreciation. The portal may have only been launched in April 2012, but is already regarded by the bank as "an enormous success", said Hughes.

Little Book of Wonders is described by Worley as "one of those rare instances of a real win, win, win" and is delivering significant benefits for Barclays, its brand partners and its clients. In essence, Little Book of Wonders is a triumph of leveraging synergies between organisations which are quite different in nature, but which are targeting the same HNW client base. Barclays wants to delight its clients by offering them a range of exceptional experiences, and high-end brands want to meet with HNW individuals who are not already engaged with their brand. Thinking retrospectively, linking the two seems like a natural step.

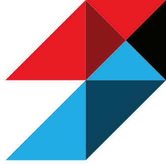
Little Book of Wonders came about from the fact that luxury brands would often come to Barclays to ask if it had any clients who might want to attend a forthcoming event. But since this was often at too short notice (or it was unclear which clients would be interested) for the bank to be able to take full advantage, Barclays set about exploiting these opportunities in a more systematic way.

SO HOW DOES IT WORK?

Little Book of Wonders is a new way of doing things in that it puts clients in the driving seat when it comes to client appreciation – rather than being invited to an event, they self-select the opportunities that interest them, choosing from a range organised around 12 lifestyle themes. Users of the site can search for opportunities to suit their tastes via interest area "book covers" like "beauty and wellbeing" and "arts and culture", which they can then register for online (with a notification then being sent to their banker).

For Hughes, this "self-service" element of the service is absolutely key to its success. By definition, any feature read or any event selected will be something that has "really piqued the interest of the client", he explained. Not only does this mean that drop-out rates are "remarkably low", but also "the brand is getting a fully-qualified and engaged audience, so the chemistry is superb," said Hughes.

Access to this kind of audience is obviously of great value to Barclays' brand partners, and they and the bank have been working hard to create events which are truly exceptional (as they must be to tempt the very wealthy). By way of example, in early 2013 Little Book of Wonders and Rolls-Royce offered a top-secret, exclusive preview of the prestigious brand's latest model, The Wraith. There is no shortage of high-profile personalities on offer either: one very



popular event of last year was an evening at Sir Terence Conran's apartment to hear about commissioning a dream home.

The Little Book of Wonders team and Barclays' brand partners have clearly been extremely busy. As of March 2013, 145 events have been put on in collaboration with some 75 brand partners, and overall the bank is in talks with over 250 brands. Word has spread fast through the (relatively small) world of luxury branding and marketing, and this means that in over half of cases brand partners that are approached are already aware of Little Book of Wonders and are keen to be involved, said Hughes.

That such a wide range of brand partners are on board has meant that a further level of collaboration has been possible. "We've been able to curate activities which bring several brand partners together to create a unique experience which unites the various aspects of what each of them can bring to the table," said Worley, explaining that a car company, a venue and a luxury consumer brand might work together on a unique tasting or viewing. She added that these collaborative events represent experiences that are "even more unique" and are something that the brand partners themselves really value being able to offer to their own clients and prospects as they really widen their reach.

> *"We've been able to curate activities which bring several brand partners together to create a unique experience which unites the various aspects of what each of them can bring to the table"*

CLIENT FEEDBACK

Little Book of Wonders was rolled out to selected clients in the UK last year, and the rollout will be extended more widely to the client base this year. The figures so far have been very encouraging on several fronts, Worley and Hughes explained.

Of the selected clients offered Little Book of Wonders (which was done through private bankers), around half took it up and started using it. Perhaps the "headline" figure here, however, is that 1,400 clients have attended events – a figure which Hughes notes is "enormous" given that the service has only been rolled out to a relatively small proportion of Barclays' client base so far.

Significant numbers of clients are using Little Books of Wonders, and Hughes said he's increasingly seeing repeat use by clients as well as brand partners. Users are also giving "unanimously positive" feedback, he said, with some clients even putting pen to paper, in addition to the emailed comments and feedback given to bankers. Client feedback concerning what other wealth managers are providing also means that Barclays can be pretty sure that Little Book of Wonders is a unique offering in the marketplace at present - something which brand partners confirm, said Hughes.

Overall, client feedback suggests that clients "love" Little Book of Wonders, Hughes continued, quipping "Why wouldn't they?" As he points out, "Little Book of Wonders offers them exceptional experiences and exclusive editorial aligned to their interests."

ENGAGEMENT, SATISFACTION GAINS

The rollout of Little Book of Wonders is still in a relatively early stage, and so are efforts to quantify the effects it is having in terms of client engagement and satisfaction. There are some very encouraging signs however. At a simple level, "There is a significant number of clients using the platform every month and coming to events that they wouldn't have been coming to before," said Hughes, "that's a quantifiable additional level of engagement". Perhaps more importantly, he cites several cases where clients have for the first time engaged at the hospitality level with Barclays and the brand as a function of Little Book of Wonders. A couple of these instances have concerned UHNW clients, he said, suggesting that Little Book of Wonders might have successfully identified a very specific interest of theirs which might have been unknown previously.

> *"Through working with brand partners on this platform we've been able to create unique opportunities to engage with our clients in a way we couldn't have before"*

One of Hughes' priorities going forward will be to examine NPS metrics to see if Little Book of Wonders boosts clients' sense of warmth towards the organisation, but "there are already early indications that this is the case", he said. As part of its initial research Barclays has taken the results of its latest client satisfaction survey and compared how satisfied with their bankers clients who have Little Book of Wonders are compared to those who do not. Satisfaction is indeed statistically higher among the former cohort, said Hughes, although more work will be needed before the veracity of a direct causal link can be tested fully.

The extent to which the client engagement and satisfaction gains Little Book of Wonders seems to be delivering will be monetised remains to be seen. Indeed quantifiably measuring how far any such initiative contributes to a deepening of wallet share and new business is a complex task. In terms of return on investment, Little Book of Wonders does seem however to be at a particular advantage over other types of client appreciation programme. "Through working with brand partners on this platform we've been able to create unique opportunities to engage with our clients in a way we couldn't have before," said Worley. "We've been able to do this in a much more cost-effective way and that benefits all of our clients and our organisation as a whole. In this environment, and particularly post-RDR, our clients are as cost-conscious as we are."

While there may be a place for large (but inevitably cost-heavy) sponsorships in terms of building brand awareness and creating exclusive hospitality events, wealth managers seem to be increasingly focusing their client appreciation efforts on smaller, bespoke events. Precisely-targeted events might be quite labour-intensive to put together, but they clearly incur less "wastage" and are arguably a better way of demonstrating a deep understanding of the totality of clients' lives.

> *"Little Book of Wonders shows clients that we've taken the time to know them and understand them, and used that knowledge to give them something really meaningful and that is tailored around what they want to do"*

As discussed elsewhere in this report, maintaining a deep understanding of clients as they progress through their wealth journey is an ongoing process of information gathering and analysis. So does Barclays see Little Book of Wonders as a goldmine of information about lifestyles and aspirations? "Certainly," said Hughes, "there are a number of ways the bank is looking to use Little Book of Wonders for both operational and strategic advantage by linking the better understanding we're getting about our clients' specific interests into our marketing, hospitality and sponsorship plans."

Little Book of Wonders has made big strides in the year since its launch, and now stands as something of a blueprint for how the wealth management industry can still do top-level client appreciation in these cost-conscious times, and garner valuable insight data into the bargain. But in addition to the variety of concrete benefits Little Book of Wonders is delivering, Barclays also sees the way the service works as sending a powerful broader brand message.

"Little Book of Wonders shows clients that we've taken the time to

know them and understand them, and used that knowledge to give them something really meaningful and that is tailored around what they want to do," said Worley. "If they take it as a proof point that our empathy, our insight and our expertise has delivered something amazing for them then I hope that overlays in the same way to our wealth management offering."

ROLLS-ROYCE – A BRAND PARTNER'S PERSPECTIVE

Rolls-Royce Motor Cars is one of the most prominent - and prestigious - brands to partner with Barclays on Little Book of Wonders. As might be expected, the iconic luxury car manufacturer is approached with many partnership opportunities, which it frequently declines, but for Rolls-Royce, Little Book of Wonders embodies a rarity value which is precisely the message that the Rolls-Royce marque appreciates, explained Richard Carter, director of global communications.

"For us, Little Book of Wonders is entirely appropriate," said Carter. "It goes to extraordinary people who are in that UHNW group of special people who are enjoying life in a way that most people are not privileged to do." A typical Rolls-Royce buyer is looking for a car which goes "beyond luxury", he continued, "and so we like to be moving in circles where rarity is at home".

Rolls-Royce partners with Little Book of Wonders in several ways, one of which is presenting clients of Barclays Wealth and Investment Management with the opportunity to request - with great ease - that a Rolls-Royce be delivered to their home or place of business so that they can experience it over a weekend. "This is an effortless approach," said Carter, explaining that some clients find it difficult to find time to visit a dealership and therefore appreciate a more discreet and convenient route.

TOP-SECRET PREVIEWS

The test drive opportunity aside, Rolls-Royce's most significant collaboration to date with Little Book of Wonders has been on the company's private series of preview events showcasing its new Wraith model. The Wraith was unveiled to the public in March 2013 at the Geneva Auto Show, but privileged guests of Rolls-Royce and Little Book of Wonders were able to get a first look and meet with the car's designers and engineers at a top-secret location in London in January. (Similar events were also held in the US and Europe.)

These sorts of highly-exclusive events are exactly what get the world's wealthiest people excited, explained Carter, because although in many ways they exist in a world apart they are still in "healthy competition" with their peer group on who has the best, most luxurious things first.

If a super wealthy individual is asked if they've seen the new Rolls-Royce by a friend, being able to say, "Oh yes, I flew to London a few weeks ago and I'm already on the list" gives customers "a great warm feeling", he continued. "For Rolls-Royce, this is an entirely appropriate way of showing appreciation to our best customers and prospects."

Rolls-Royce is clearly a fierce defender of the exclusivity of its brand, and so getting it on board with Little Book of Wonders represents quite a coup for Barclays. "We look very closely at the company we keep...which is part of that notion of rarity," said Carter, adding that while there are other programmes where luxury brands offer what he terms "surprise and delight exclusive opportunities", Little Book of Wonders is "one of the most advanced and substantial" that he has come across.

Not only is it vital that any such programme is advanced and substantial, concluded Carter, but it must also keep constantly evolving to keep pace with the hardest segment of all to please. For any firm thinking that they can "surprise and delight" the HNW without doing so, he has the following words of warning: "They are a highly-mobile, liquid group of people who move on very quickly when something no longer interests them or becomes stale or falls out of fashion – in an instant they're gone, they're lost. The moment it's not unique and engaging these people will go somewhere else because they can pretty well have anything and go anywhere that money can buy."

CONCLUSION

The publication of this report comes at a time when wealth managers of all kinds are speaking about their efforts to enhance the client experience they deliver. This is hardly a new area of focus, however, and more a movement towards *refocusing* on the "softer" elements of the wealth management proposition: relationship-managed banking has, after all, always been about providing the highest levels of personal service to high and ultra high net worth clients with complex financial needs.

But while superior service standards are foundational, they are not the industry's raison d'être since first and foremost it is concerned with the management of wealth – service is not "the product". This is an obvious point, but one which is worth re-stating because it goes a long way towards explaining why it is only now that the term "client experience" has really come to the fore. Clients go to wealth managers to access the financial expertise of talented professionals, along with the products and capabilities of the institutions which employ them, not to get a "warm feeling inside". Wealth accumulation, preservation and transfer are their priorities, and as the UHNW client interviewed on page 12 so aptly put it, "If a bank came up with consistent outperformance it wouldn't really matter what their service was like."

This might be putting things a little baldly, but it does crystallise why client experience is now such an area of focus for the industry at a time when consistent outperformance is difficult to deliver and clients are increasingly cost-conscious. Behind this lies the fact that wealth management is in essence a premium service and despite their wealth H/UHNW individuals still want to feel that they are getting value for money from their provider. It is hard to know how much traditional wealth managers have to fear from new, low-cost "self-service" or online-only entrants to the industry, but at the very least they underscore the wider range of choices available to HNW individuals today.

That clients have a wider choice of wealth management providers and a greater ability (and inclination) to compare them is the "New Normal" referred to in the title of this report and wealth managers are clearly upping their game in response. Far from just paying lip service to the latest industry buzz phrase, firms are making a whole range of tangible moves to enhance the client experience they deliver, although - as this report shows - some are much further along in their journey than others. That said, enhancing the client experience will necessarily be an ongoing process for *all* industry participants, and exactly how the broader wealth management proposition will develop in the years to come remains to be seen – as does how individual firms will evolve. What does seem certain however is that clients can *only* benefit if wealth managers focus more fully on discovering clients' needs and wants, and then using these as the foundations they build their businesses on.

METHODOLOGY

346 wealth management professionals were surveyed online between 28 January and 21 February 2013.
39 per cent of respondents said they work at a private bank, while 10 per cent are employed by family offices.
The remainder were split between asset managers, brokerages, fund managers, financial planning firms etc.
The survey sample was truly international, and broke down as follows: UK, 31%; Switzerland, 9%;
rest of Europe, 8%; Asia-Pacific, 20%; Americas 24%; MENA, 3%; and "Other", 6%.

THANKS

Special thanks go to all those involved in the production of this report, and particularly those executives not part of the editorial panel who also contributed their insights:

Steffen Binder, *managing director, MyPrivateBanking Research*

Pamela Barbaglia, *senior financial reporter and head of technology coverage, wealthmonitor*

Jo Causon, *CEO, Institute of Customer Service*

Peter Dingomal, *head of UK business development, Avaloq*

Martin Engdal, *director of business development and product marketing, Advent Software, EMEA*

Ian Ewart, head of products, services and marketing, Coutts

Dominic Gamble, co-founder, Findawealthmanager.com

Lee Goggin, co-founder, Findawealthmanager.com

David Hughes, *head of Little Book of Wonders, Barclays Wealth and Investment Management*

Karin Jestin, *head of philanthropy, Lombard Odier & Cie*

Manou de Kerchove, *head of art advisory, Schroders Private Banking*

Russell Prior, *head of philanthropy, EMEA, HSBC Private Bank*

Michael Silver, *senior managing partner, Focus Partners*

Eric Sheikowitz, *senior managing partner, Focus Partners*

Robert Steedman, *partner and UK wealth management lead, IBM Global Business Services*

Tim Tate, *global head of client management, Citi Private Bank*

Jack Thurman, *partner, BKD Wealth Advisors*

Bruce Weatherill, *CEO, Weatherill Consulting; chairman, ClearView Financial Media*

Ryan Wibberley, *president and founder, CIC Wealth*

Ian Woodhouse, *director, EMEA global private banking practice, PricewaterhouseCoopers*

PRODUCED IN ASSOCIATION WITH:
Barclays Wealth and Investment Management
1 Churchill Place
Canary Wharf
London, E14 5HP
United Kingdom

PRINTED BY:
iPrint Group
245a Burlington Road
New Malden
Surrey, KT3 4NE
United Kingdom

PUBLISHED BY:
WealthBriefing
Heathman's House
19 Heathman's Road
London, SW6 4TJ
United Kingdom

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Graphic Designer: Jackie Bosman, *WealthBriefing*

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PUBLISHED BY:

WealthBriefing
Heathman's House
19 Heathman's Road
Parsons Green
London
SW6 4TJ

IN ASSOCIATION WITH:

Barclays Wealth and
Investment Management
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