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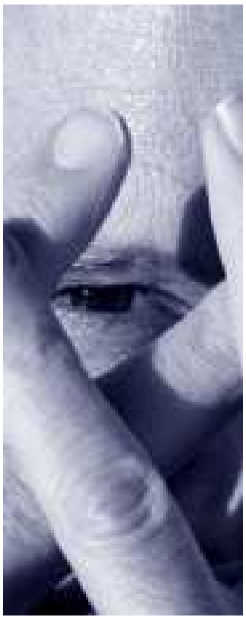

Wealth management

Delivering an integrated offering to the mass affluent

- Are you considering creating or extending an integrated financial offering to the mass affluent sector?
- Do you want to maximise annual profit per client - generating the confidence for clients to try - and subsequently stick with - the other services
- Do you want to maximise client retention - creating client loyalty by giving them the services they need, when they need them.

This paper sets out the key areas that financial institutions need to get right in order to be profitable and generate real value for clients in the mass affluent sector.

What is happening in the mass-affluent sector?

The mass affluent sector – definitions vary, but broadly meaning private individuals with between around £100,000 and £1m of freely investable assets – is under siege from players offering integrated wealth management services. These services cover a range of specialist services from banking, mortgages and insurance, through to long-term financial planning, investment management and pensions.

A decade or so ago this was a profitable segment as a direct result of the lower cost-income ratios that higher-value clients brought. However, increased competition actively targeting this segment, together with an increasing level of financial sophistication (and a 'savvyness' for value for money), is making it harder both to attract and keep clients, and to achieve high margins.

Why provide an integrated wealth offering?

So why should financial institutions create an integrated offering to the mass affluent sector? There are two key reasons:

- maximising annual profit per client: excellence in individual services will generate the confidence for clients to try - and subsequently stick with - the other services; and
- maximising client retention: creating client loyalty by giving them the services they need, when they need them.

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What are the challenges of delivering an integrated wealth offering?

An integrated offering typically means creating a client-centred model across independent business units which may have little history of working cooperatively together.

This has many challenges, including:

Making it stack up for the client

- do all the parts together create a compelling overall proposition that makes sense to your client?
- can your specialists effectively articulate the other elements of the proposition to the client – and the benefits?
- are your pricing strategies consistent across propositions?

Seamless delivery

- do your specialist sales forces work with each other with the client at heart?
- do you deliver continuity of processes across business units?
- do your internal cultures have enough common ground to operate effectively?

Incentives

- do you financially incentivise individuals to do the right thing for the client's relationship with the group,rather than the individual business unit?
- does your transfer pricing across business units maximise group value?

The example (see over) shows how dramatic a difference it can make to the client's experience of an organisation when an integrated service is delivered with excellence and with the client at its heart.

What are the key things to get right?

If an organisation wants to deliver an integrated wealth management offering in the mass-affluent sector, it will need to:

- relentlessly focus on each individual service – to deliver excellence within each individual area of the total offering – or you don't deserve to be there
- get its cross–business unit delivery right – giving you satisfied clients that stay for a long time.

If you can achieve this focus and client-centred delivery then your integrated offering will be both profitable and truly delight your clients.

Example

Your client holds a cash reserve, a SIPP and a £75k investment portfolio with the group, as well as a substantial investment portfolio with a competitor with whom she is currently unhappy. She tells her banking advisor that she needs a mortgage for her son who is just about to start university, but doesn't want to use her cash reserve for the £35k deposit because this is earmarked for other purposes.

Scenario A – non-integrated: The banking specialist hands the client off to a retail financial planner (since her investment portfolio is less than the group's £100k internal threshold for 'premier' financial planning). The retail financial planner advises her to liquidate £35k of her investment portfolio (incurring CGT losses) to generate the deposit, and refers her to her investment advisor to agree which stocks to sell, and to a mortgage specialist for a mortgage. She meets each of these individually and concludes the transactions individually.

Result: a client who knows they have received a mediocre service.

Scenario B – integrated: The banking specialist knows that the client is unhappy with the competitor portfolio (following a regular six-monthly review of joint clients with her in-house investment manager) and immediately calls the 'premier' financial planner for an initial discussion (handoff rules allow substantial discretion depending on client circumstances). After gauging opinions, the banking advisor calls a joint meeting with the client, the financial planner and mortgage specialist, where they agree a loan against the collateral of her portfolio to generate the £35k deposit, a specialist mortgage where the client's cash reserve is offset against her son's mortgage repayments, and at the same time takes the opportunity to review the client's SIPP risk profile to align these with her portfolio risk profile.

Result: a very impressed client, likely to move further substantial assets under management to the group.

Further discussion?

If you would like to further discuss delivering an integrated wealth offering to the mass-affluent sector, contact Ian Hadden of Root Six Consulting for an initial conversation.

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