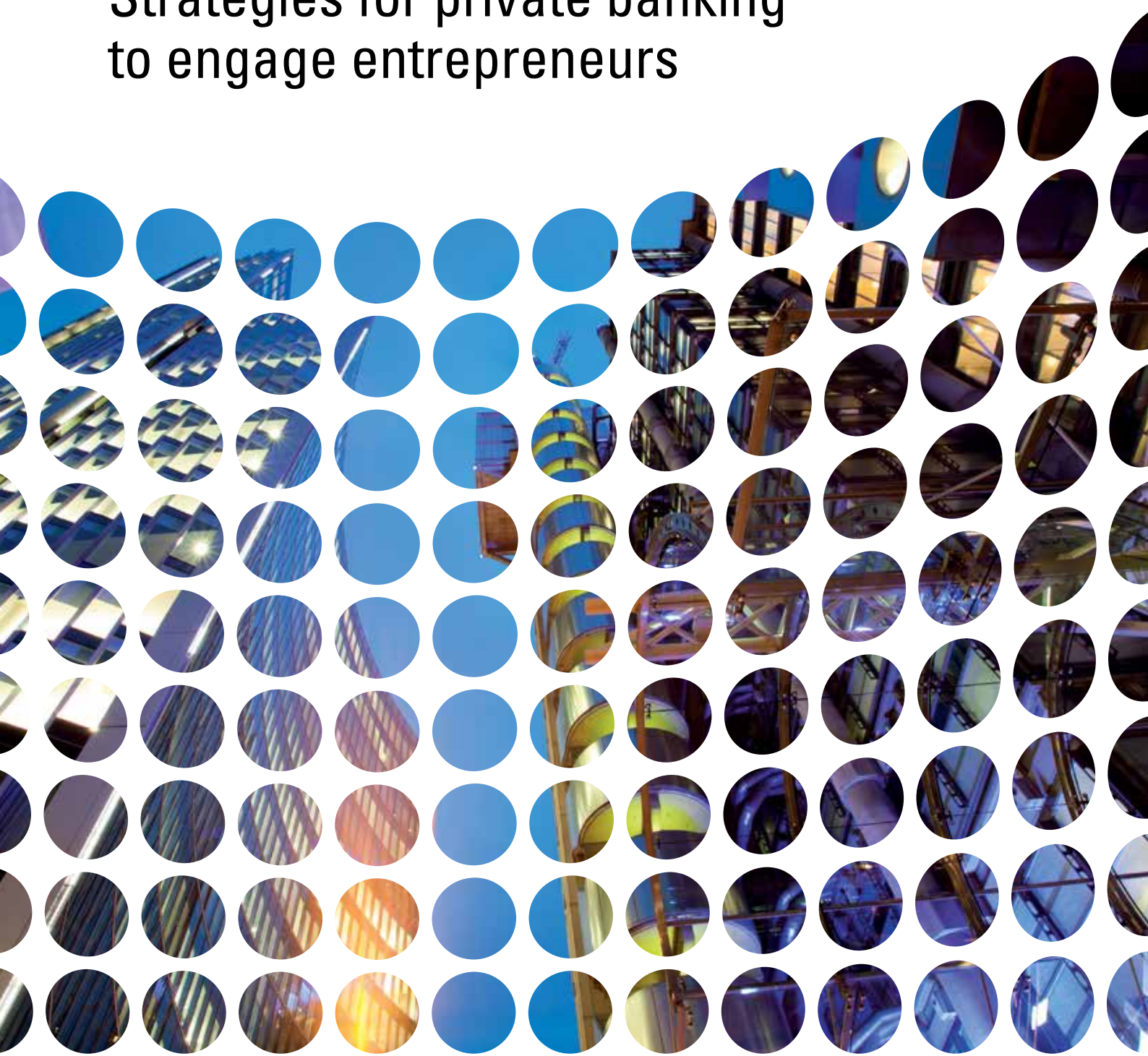


Finding The New Wealthy

Strategies for private banking
to engage entrepreneurs



Fine-tune your client strategy to deliver growth and profitability

Become the bank you say you are

There's not a private bank in the world that doesn't pride itself on being client focused. But it's only when both the advisor and the institution are 'client centric' that we see dramatic leaps in performance and profitability.

As one of the leading strategy consulting firms to Private Banks and Wealth Managers, Gulland Padfield helps institutions become profoundly client centric. Our partners and teams have worked with 11 of the top 20 global Private Banks. With our specialist expertise, knowledge and experience, we help firms:

- Analyse and capitalize on the trends in their HNW and UHNW client base
- Create leading edge client segmentation tactics
- Shape and launch successful new product offerings
- Transform their client acquisition strategy
- Differentiate through the client service experience

To find out more, visit www.gullandpadfield.com



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Foreword

“Old money is slowly dying. It’s all about new money”. Earlier this year, this comment to me from a Private Banker triggered us to look at what research existed to help our clients with their client acquisition strategy among entrepreneurs.

Those who have become rich through their own efforts now make up over 45% of the UK HNWI market. Despite this, we quickly realised there is very little guidance out there that answers the question, ‘What do entrepreneurs want from Wealth Management?’

In an industry not known for its lack of self-confidence, there remains an assumption in some quarters that, “We know what people want. And that’s what we offer them.” But has anyone actually asked HNWIs what it takes to acquire them as clients? The answer it seems is, no.

Every day, Wealthmonitor profiles entrepreneurs benefitting from liquidity events, which gives us great insights into their wealth and motivation, backed up by an intelligence base covering 160,000 HNWIs. Working with Gulland Padfield, a consulting firm that has been at the forefront of pioneering client strategies in the banking sector, we spoke to some of these entrepreneurs to learn about their issues in more depth and find out how they want to be marketed to, and treated, as private clients. Our insights, direct from HNWIs, are presented in this paper.

“Private banking itself needs a more entrepreneurial spirit.” This comment, from someone who has become wealthy through a stake sale, illustrates that financially sophisticated entrepreneurs need more than a focus on wealth conservation. They are also more likely to see wealth management in the context of their commercial activity, family affairs and succession planning, which creates more complex financial needs.

The research in this report shows a significant opportunity for private banks to set the bar higher. Despite the reputational hits taken by many mainstream financial institutions, the majority of entrepreneurs retain a largely positive view of private banking. They are attracted to their bank principally by its reputation and track record.

The entrepreneurs we spoke to confirm that they require a different type of engagement: they want to shape the solution, rather than be passive recipients of advice.

How, then, to engage the new wealthy? In this report, we begin to outline the strategies that will help banks to advise this dynamic group of HNWI clients.



Florian Pixner
Wealthmonitor
Managing Director

“ *Be knowledgeable about the market, about dynamics like the life stages of people and net worth levels... Avoid a selling attitude.”*

HNWI, film industry sector



Key findings from the study

This is the first phase of our study. It comprises a series of in-depth interviews with UK based business owners who have experienced a significant liquidity event in the last 12 months. This makes them an appealing prospective HNWI client to a Private Bank or Wealth Advisor targeting individuals with investable assets worth more than £1.5m.

The entrepreneurs who we profiled were asked about their experience of wealth advisors and their current and future wealth management needs, including the following issues:

- their perceptions of the wealth management industry today
- the impact that liquidity events have had on their advisory needs
- the appeal of wealth management services
- what criteria they apply to select a private bank
- views on the best way to approach them as prospective clients

The principal insights from our research so far indicate the following:

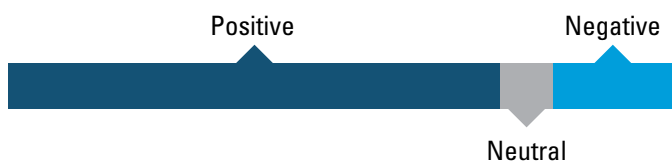
The image of Private Banking today: positive but further work required

- The vast majority of entrepreneurs have a positive view of Private Banking.
- The competitor set in the minds of the entrepreneurs was very narrow with few leading independent wealth brands achieving spontaneous recognition. When asked unprompted, many participants could only name one or two leading wealth management brands. Most cited the Private Banking divisions of High Street banks.

WEALTH BAND OF INTERVIEWEES

HNWI	£1.5m - £10m	35%
Very HNWI	£10m - £20m	30%
Ultra HNWI	>£20m	35%

ARE ENTREPRENEURS POSITIVE OR NEGATIVE ABOUT PRIVATE BANKING?



“ Education, education, education. You don’t need to sell to a client.”

Ultra HNWI, financial sector

The industry needs to communicate its relevance much more clearly

- While the majority of the HNWI's say that their needs have 'substantially' or 'moderately' changed as a result of a liquidity event within the last 12 months, almost all said that they have not changed their advisor as a consequence.
- Where needs have 'substantially' changed, three-quarters still have the same advisor. Either their existing advisor has met these new needs but a more likely explanation is that many are unaware of the alternative providers who might suit their new circumstances better.

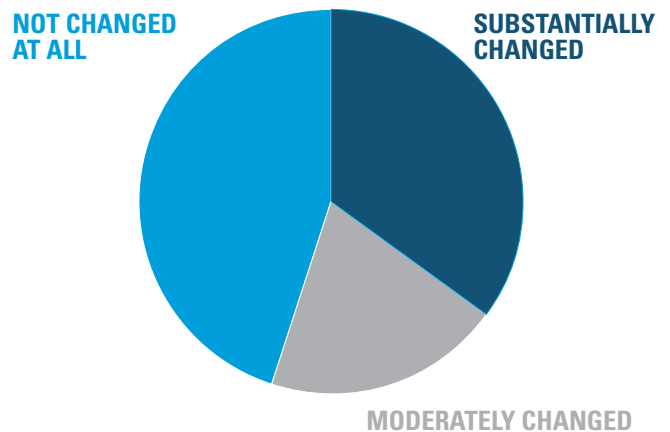
Wealth Management services appeal but Banks fail to convert the opportunity

- Entrepreneurs say they find their needs becoming more complex.
- Nearly half of the HNWI respondents who currently have no private bank advisor or wealth manager, say that wealth advisory services would appeal to them.
- Two thirds of those HNWI respondents who said that private banking isn't appealing to them said this was because they don't see the value it would bring for them.

Entrepreneurs want to be hands on with their wealth

- Only a minority of the entrepreneurs profiled said that they were looking to delegate full discretionary management of their finances.
- The majority are looking for high quality professional advice to either grow or preserve their wealth, especially if these conversations are initiated through other professional advisors.

HAVE INDIVIDUALS' BANKING NEEDS CHANGED OVER THE PAST 12 MONTHS?



HAVE THEY CHANGED ADVISOR?



DO THE SERVICES OF A PRIVATE BANK OR WEALTH MANAGER APPEAL TO INDIVIDUALS?

Nearly half say YES BUT AREN'T BEING SERVICED





The appeal of the Private Banker remains a personal one

- When asked for a spontaneous view on what was memorable about the service they receive, the top three attributes for entrepreneurs are: good communication, accessibility of their relationship managers and service teams.

Selection factors for the UK entrepreneur when choosing an advisor

- Perceptions of brand strength of the bank came up as the strongest factor in both the selection of a relationship manager and the private bank.
- When selecting a private bank, track record and word of mouth references were also important. Respondents want bankers who have been referred by other clients and can deliver continuity during the relationship.
- They are less concerned about having bankers with similar interests or those that understand how their wealth was created.

The marketing mix of advisory firms may have to change to reach this audience

- The overwhelming majority said that they could not recall an advertisement causing them to contact a Private Bank.
- Almost ¾ of participants said that they based their view of Private Banking on personal experience rather than any other elements of the marketing mix.

INDIVIDUALS ASKED FOR THE FACTORS THEY USE TO SELECT A PRIVATE BANK



THE POWER OF ADVERTISING: ALMOST NO INDIVIDUALS HAVE CONTACTED A PRIVATE BANK DUE TO AN ADVERTISEMENT

NO I haven't contacted my Private Bank

“ I do not want a small bank, I want the one that has been around and holds its money in a secure way; accessible anywhere in the world.”

Ultra HNWI, energy sector

The appeal of digital marketing remains unclear

- The personal touch is still considered valuable: many see face-to-face as more appropriate than online marketing.
- If online marketing is used it is best as a 'prompt' combined with good follow up, which entrepreneurs say is critical.
- The use of Facebook or Twitter as methods to market services got a unanimous, 'No' from all the business owners profiled.

Educational events are needed

- Clients are curious to know more about the products. They are looking for advisors who want to work in partnership to grow their business and their wealth.
- Events or conferences related to the financial needs of the client are preferred over conferences with other entrepreneurs and social events.
- Topics focused on the client's transition across different stages of wealth or pinpointing specific life stages are welcomed.

MAKING A GOOD IMPRESSION ON NEW CLIENTS: WHAT WOULD ENTREPRENEURS RECOMMEND?



“ *High Street banks have woken up and realised the wealth of the future is where they need to focus.* **”**

HNWI, automotive sector

High Net Worth Intelligence

Wealthmonitor and Gulland Padfield, the co-authors of this study, are **recognised as the first port of call** for private banks and wealth managers to improve on their client acquisition success.



Wealthmonitor identifies new wealth creation from potential and announced liquidity events. We help firms to identify wealthy prospects and react quickly when opportunities arise.



Gulland Padfield helps its clients analyse and capitalise on trends in the HNW and UHNW market. Its leading-edge segmentation work helps wealth advisors capture opportunities for revenue growth.



Case study

Perspective from the Private Bank

Interview with **Charles Hoffman, HSBC Private Bank UK**

There's more than one answer

When it comes to engaging a prospective client, the important thing to remember is that you can't rely on any one strategy solely to win clients and new business. You have to use all of them. Some are best deployed in combination, others not. Some are easier, some are harder. Some have a better hit rate than others.

Crunch the data better, faster

There is a wealth of information available, ranging from Companies House, to media outlets, to third party services such as Wealth Monitor. The successful acquisition strategy finds a way to refine it. I take the view that there's a role for an external organisation to do that analysis. To those banks that rely exclusively on their internal databases, my question is, 'How good is that database? How up to date?' Here's where a third party can help to keep your data fresh. It can be a considerable cost to have that done in house.

Explaining not selling

Having seen the study, I would agree with one of its principal conclusions: the approach to a prospective client which works best is to explain rather than sell. This industry is not well-known or understood by the majority of the population. We need to recognise the need to explain the value we bring. Just last week an extremely wealthy individual asked me, 'What exactly is Wealth Management?' So even among the well-informed business community there's a need to explain what we do.

Learn from the intermediaries

Most private banks think of intermediaries as a source of referrals – and they are definitely part of the mix in client acquisition strategy. But it's interesting to ask whether there's something our industry can learn from

professional service firms about how we engage with clients and build relationships. Some professional firms have designated business development teams to help set up meetings and contacts for relationship leads. There's plenty more our sector can learn by looking outside to the way lawyers and accountants win business and manage valuable relationships.

Support the sector

One of the most successful things we are involved in at HSBC Private Bank UK is the Private Business Awards which support the 'best of the best' in UK fast growth private companies. It's an opportunity to showcase UK entrepreneurs from all sectors: exporters, family businesses and high growth firms. If on some level this also encourages people to contact HSBC Private Bank at the appropriate moment, that's great.

Patience and the long-term plan

They say it takes 7 years to become a trusted advisor. Anyone who thinks you can short cut the process of building relationships is, in my view, mistaken. I think there are ways to identify people at a key moment when they might need help. But, certainly at the top end of the market, it can be a long, long game.

Charles Hoffman is Managing Director at HSBC Private Bank UK Limited

Charles runs a team dedicated to the largest clients of HSBC Private Bank, advising individual clients and family offices on all aspects of their personal affairs, involving the appropriate specialists wherever necessary.

Five recommendations

For too long, the burden of client acquisition has weighed too heavily on front-line Client Advisors and Relationship Managers. Institutions have an opportunity to make life easier for them, providing the back-up they need to target entrepreneurs and business owners more effectively. We believe these five recommendations will help free up the flow of new business from this dynamic sector.

1. Segment clients in more detail

Better segmentation will enable banks to take a more tailored acquisition approach that realises the opportunity offered by different types of client, for example identifying wealth stages or the opportunities in the nuances between retirement and semi-retirement. The intelligence gleaned from this segmentation can also be applied to developing existing relationships as well as acquiring new clients. HNWI's interviewed voiced their disappointment at the apparent lack of background research when being approached. Spending time and resources on researching HNWI's, by using a service like Wealthmonitor, for example, helps start the relationship on a positive note.

2. Develop your referral network

There are clear opportunities for better referrals from commercial banks to private banks, and between other advisors, for example legal and accounting. Referral doesn't have to be an ad-hoc process. There are 'contact mapping' tools available that show the connections between individuals so banks can take a much more structured and efficient approach. Among the HNWI's we interviewed, we found a considerable degree of personal trust in their corporate advisor network. As an alternative to direct contact, this offers an easy and sophisticated way in. Advisor networks are well profiled on Wealthmonitor as part of the liquidity events.

3. Educate clients

It's clear that while they may be more sophisticated in their financial needs, entrepreneurs and business owners remain insufficiently aware of the full potential offering of what private banks can offer – and are clearly asking for help and advice. Because HNWI's' needs track the growth of their businesses, it's important to know where the business is going and provide advice that is in step with this. Education is also a powerful way to fight competition. The better banks educate their clients, the more they differentiate themselves against competitors.

4. Choose the right mix of channels

Our findings give clear signals as to which marketing channels are most effective. Advertising has little or no impact; online marketing is desirable only if carefully used. Personal, one-on-one contact, for example through tailored, relevant events, is critical.

5. Don't lose the personal touch

In a world of impersonal, telephone and internet-based service, the one-to-one approach remains an important differentiator for private banking. Entrepreneurs and business owners value this contact a great deal, particularly for the ability it has to explain often-complex subjects. HNWI's expect one 'go-to' person and like to build trust this way. The organisation and the Relationship Manager need to make sure they fully understand their client, know how they tick and know how their world works. There is no shortcut to achieve this. Organisations need to ask the right questions, listen and spend time on ongoing research of what their clients are up to, both on a personal and business level.



Perspective from the Entrepreneur

Interview with **Sue Oriel, MD of Firecracker Films**

Entrepreneurs want a new kind of wealth management

When Wealthmonitor MD Florian Pixner spoke with Sue Oriel, MD of Firecracker Films, it was clear that the wealth management industry is not keeping pace with the needs of entrepreneurs like her.

What's your view of private banking?

It feels old and fusty to me. Marketing materials seem old fashioned – and while it's generous to ask me to a 2½ hour lunch, the average person who has wealth doesn't have that kind of time to spare. There's a kind of mystique to private banking, almost as if it means some sort of financial 'butler'. This is the wrong kind of signal for what I want.

What do you want from private banking or wealth management?

I want somebody who knows me and my business, and how I make my money and what I need. But I also want to have a telephone contact – I don't have time to visit branches and I want everything to be incredibly simple. I'd like to pick up the phone and be able to transfer half a million pounds on a phone call. With the account I have at the moment, there is a £30k limit. Ultimately, if you're a wealthy person, you feel that what you should be able to do is buy convenience for yourself. It seems that nobody ever asks you what you want, they just tell you what they offer.

Why did you keep your financial advisor although your needs changed?

I have banking and investments with different people because the bankers don't seem to want my investments and I've never had any approach from them to look after my wealth as such. As I recently sold the company and put a large amount of money in the bank, you would have thought that somebody would have rung me up and said, "Would you like us to help you invest that?" Nobody made an attempt to encourage me into a different level of relationship with them.

If someone did approach you, how would you like that approach to be?

I think it would be done a lot better if it were through an existing relationship. What you want is an incredibly professional approach, often with some credentials that are more than "our funds have done this or that". You want someone who is transparent with their charges and will give you an individual to look after your business. Someone who would be prepared to spend some time with you by your arrangement, maybe an hour or so with you every quarter, to discuss your investment

objectives, what you want to get out of it and over what period of time. And because there have been so many issues with banks over the years, a sense of heritage and credibility is really important.

And if someone did contact you in the right way, what would they have to bring to the table?

They would have to acknowledge that this is an area that people find difficult. They shouldn't talk about products, they should talk about you and your life, that they have worked out what businesses you have made your money through. You've got to be very careful about how you approach people talking about this area. It's not the 1980s any more. It's not about bling and wealth, it's about "What's your responsible attitude to the money you've got?"

Would it be appropriate for the people who had helped with the company sale to contact you?

If the guy who ran my deal said, "I really rate these people", then I would have taken a huge amount of notice of that. Equally, if my tax advisor had made recommendations I would have noticed that too.

Perspective from an Industry Expert

Interview with **James Edsberg of Gulland Padfield**

Would you have any advice on how Private Banks could market themselves?

Well I think they could lose the word "private". What does it mean, "private banking"? They need to get over that they are a quality service that is tailored specifically to you – that is the difference between a High Street bank and a Private Bank. You need something a little bit more metropolitan, a little bit more global, a little bit more quirky, quick off the mark. They need to represent a more entrepreneurial spirit. Today, for me, private banking still means 'old money'. And they need to change that.

“ *Because there have been so many issues with banks over the years, a sense of heritage and credibility is really important.* **”**

Sue Oriol, MD of Firecracker Films

Client centricity: it's an institutional challenge

Every successful private banker can say - with justification - that they focus on delivering a good service for their clients. Client research shows that individual relationship managers usually enjoy high approval. Where issues arise, it's often for 'organisational' reasons not the individual. The potential for improvement lies in a firm's systems, its governance, IT, policies and brand. It's when both the individual **and** the institution are 'client centric' that we've seen dramatic leaps in performance and profitability. Helping teams and institutions become client centric – that's our main focus.

Close the 'insight gulf' with better data on clients and prospects

Many firms could still go further - at an institutional level - to get an objective view of what HNWIs want. Without that, it's difficult to get internal agreement about where an institution needs to invest and change.

Link the drive to improve service with winning new relationships

For a referral to work, the existing client needs to recommend the institution as well as the RM. We see firms making greater efforts to explain to people what it would be like to join them as a new client. Articulating the service experience (not just the product offering), is the

elusive route to differentiation in a sector where there are no USPs. Firms are only just beginning to make this link between client service, referrals and brand differentiation.

Know a client's true value to your business and adopt a horizon strategy

Being client centric means first establishing which prospective clients are the best fit for your firm. No business can be client centric for every HNWI. For their sake and yours, know the true value they bring to your business and the cost of looking after them well. That said, building relationships with entrepreneurs is about advising on their potential wealth as well as their tangible assets.

Reset your reward and remuneration approach

Yes, it's a difficult topic, but the behaviours encouraged by some remuneration and policies sow seeds which later make it difficult for a firm to be client centric.

James Edsberg is the senior partner at Gulland Padfield, the management consultancy which helps financial institutions align themselves more closely to their markets and clients resulting in better performance and profitability. The firm's partners and consultants have delivered projects for 11 of the world's leading 20 private banks and 8 of the top 10 investment banks.

www.wealthmonitor.com



we open doors

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