

A more structured dialogue on pricing and negotiation

Executive summary

Dr. Silvio Struebi is a Partner at Simon-Kucher & Partners and works out of the Hong Kong and Singapore offices. He heads the company's banking operations in the Asia-Pacific region, focusing on international private banking and retail banking. In this role, he advises local and international financial institutions on various topics including monetisation, product management and the implementation of growth strategies. Dr Struebi has a PhD in marketing and consumer psychology from the University of St.Gallen, Switzerland, and has previously worked with private banks and asset managers in Switzerland and Europe. Speaking with Hubbis CEO Michael Stanhope, he discusses current issues affecting the wealth management industry in Asia, and how pricing and negotiation strategies can be better implemented.



DR SILVIO STRUEBI
Simon-Kucher & Partners

DR SILVIO STRUEBI BELIEVES DIFFERENTIATING products and services on value is the most feasible way for private bankers and wealth managers in Asia to transition from offering transaction-related advice on an ad-hoc basis towards adopting a fee-for-service model.

“At the moment, the services that banks offer are undifferentiated. One client might get advice, while another one doesn't,” he points out. “The ideal future in terms of products and services is a well-differentiated, well-balanced product landscape with price models that really fit different client behaviours.”

Improvements on pricing and negotiation

When it comes to pricing and negotiation, Struebi also believes the industry can be improved by focusing on better processes and transparency. “Many banks here in Asia don't have full transparency when it comes to fees and the conditions that relationship managers (RMs)



grant to clients,” he says. “So knowing what they are actually doing at the moment would help a lot. What is important is bringing in more structure, and a better discount process and software tools that can help RMs with pricing and make their lives easier.”

Practical steps

A practical step to take towards improving would be to develop a system to measure data transparency, capturing existing pricing conditions with a structured, renewable database. With this database, Struebi says, “You work on the software side, you develop a tool and then you roll it out.” The ideal time to roll out a new tool, he advises, is when a company is offering a new service. “Like when you launch advisory mandates, the timing would be right then to do a book shift from purely transaction-based towards a setup with more contractual-based advice.”

A higher revenue base

The reward for getting this right is, of course, a higher revenue base but also an increase in the use of recurring advisory fees within the revenue mix. Additionally, Struebi says, “You can also incentivise cross-selling with the right pricing strategy. You are able to sell additional products to clients.” While he believes too many RMs are only able to focus on a single product, he adds that “the right pricing strategy would help a lot.”

Inconsistencies

Struebi emphasises that practices have been inconsistent due to the rapid growth of the industry in Asia. “Inconsistency is often linked to market conditions. When the market is growing really fast, you can sell any product,” he says. “But sooner or later, when growth slows, it becomes important to work with your existing client base and increase rates of cross-selling.” ■