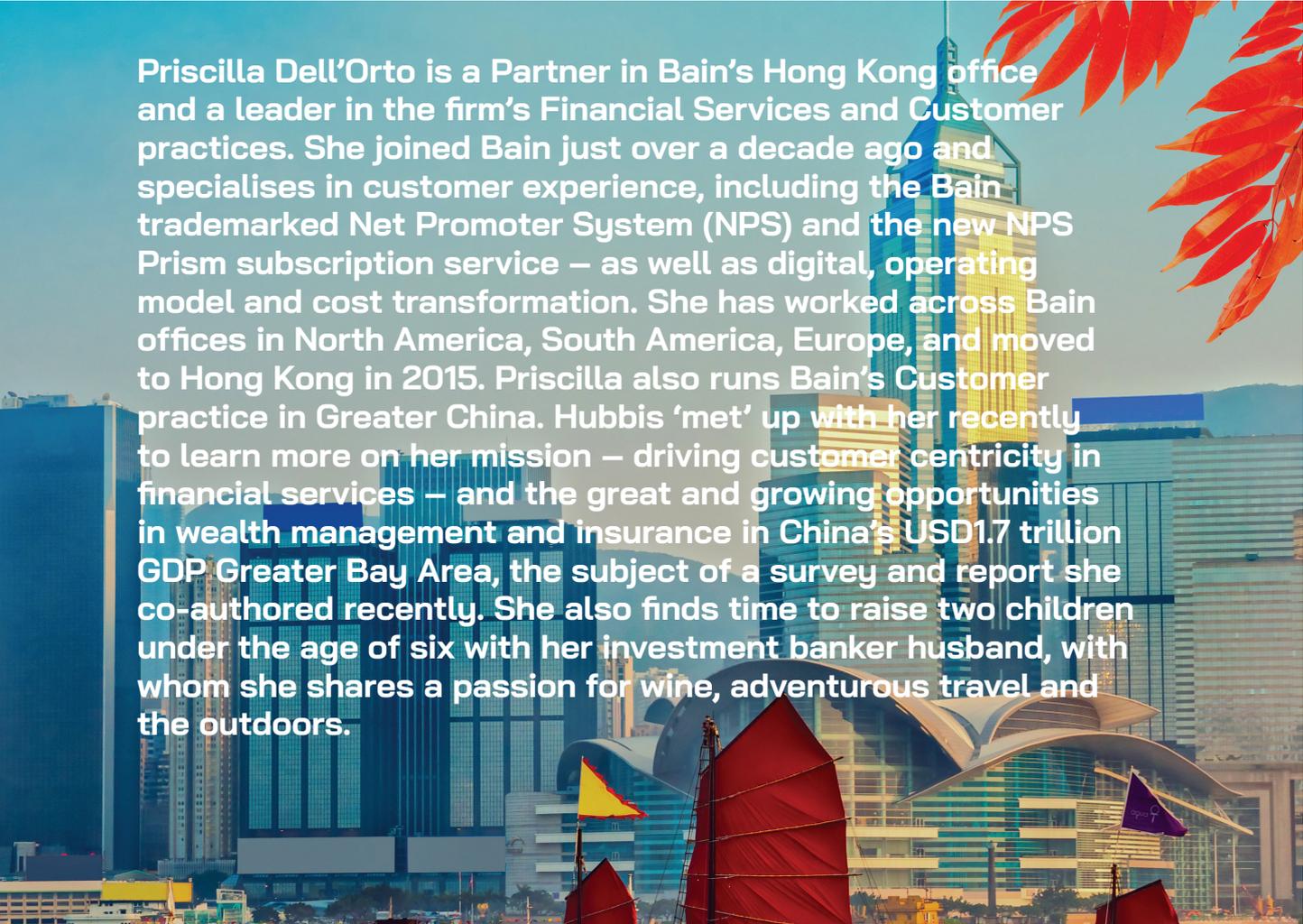


Bain Partner Priscilla Dell'Orto on Customer-Centricity and Connecting the Dots Across Greater China



Priscilla Dell'Orto is a Partner in Bain's Hong Kong office and a leader in the firm's Financial Services and Customer practices. She joined Bain just over a decade ago and specialises in customer experience, including the Bain trademarked Net Promoter System (NPS) and the new NPS Prism subscription service – as well as digital, operating model and cost transformation. She has worked across Bain offices in North America, South America, Europe, and moved to Hong Kong in 2015. Priscilla also runs Bain's Customer practice in Greater China. Hubbis 'met' up with her recently to learn more on her mission – driving customer centricity in financial services – and the great and growing opportunities in wealth management and insurance in China's USD1.7 trillion GDP Greater Bay Area, the subject of a survey and report she co-authored recently. She also finds time to raise two children under the age of six with her investment banker husband, with whom she shares a passion for wine, adventurous travel and the outdoors.

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“My area of expertise is everything that has to do with customer needs: customer segmentation, customer loyalty, customer experience transformation, customer-centric product development and so on,” she reports, opening the conversation. “And of course, I focus heavily on digital transformation as a key enabler for customer centricity, across insurance, banking and wealth management.”

Priscilla is also co-author of an impressive report titled ‘Are You Ready for the Financial Services Opportunities of China’s Greater Bay Area?’, which highlights the vast and attainable opportunities in the years ahead for wealth management, insurance and lending in China’s Greater Bay Area, an economy today of USD1.7 trillion already and growing fast. [See box below for more detail].

In the future of GBA’s wealth management market, Bain cannot predict the course of regulation, but Priscilla says what they can predict is a gradual increase in the sophistication of the products that are being offered. “We expect to see companies on the Hong Kong side having to catch up with Mainland customer experience and digitalisation,” she reports. “And broadly, we expect significant investment to pour into cross-border wealth management, because it’s one of the first things to open, and it will be a bit of a testing ground for other financial services sectors.”

Different stages of evolution

In terms of who’s going to win, she observes that there are some financial institutions that are already quite strong on both sides

Bain’s Glimpse into the Future of the Greater Bay Area

Titled ‘Are You Ready for the Financial Services Opportunities of China’s Greater Bay Area?’, the detailed Bain report observes that recent policy changes has raised new prospects for wealth management, insurance, and lending in China’s Greater Bay Area.

“Among customers in China and Hong Kong, there is significant interest in cross-boundary products for their unique features and ability to diversify exposure, our research finds,” Priscilla explains. “To prepare, financial services companies can begin taking immediate “no-regrets” steps such as investing in brand building, while simultaneously developing the customer-centred innovations, omnichannel services, and operating models that will help them long term.”

Encompassing Hong Kong, Macau, and nine cities in Guangdong province, China’s Greater Bay Area

(GBA) has a population of more than 70 million and gross domestic product (GDP) growth of roughly

8% per year over the past decade. With a GDP of approximately USD1.7 trillion, the area’s economy is similar in size to Canada or South Korea. The cities include Zhaoqing, Jiangmen, Guangzhou, Foshan, Zhuhai, Huizhou, Dongguan, Shenzhen, Hong Kong, Macau and Zhongshan.

“Thanks to rising economic activity and an expanding affluent population, the GBA is an attractive market for wealth management, insurance, and lending products, and is supported by recent government action,” Priscilla elucidates.

She reports that the survey for the report that Bain conducted highlights how the 3000 retail customer and SME respondents’ key themes included: enabling cross-boundary financial services, supporting the opening of Chinese financial markets, facilitating the integration of GBA financial markets and infrastructure, and encouraging financial services innovation. “While details remain uncertain, the announcement of further guidelines and policies to facilitate closer collaboration among the financial markets of GBA seems likely in the near future,” she notes.

There is already of course an infrastructure for some cross-boundary trading in stocks (Stock Connect) and bonds (Bond Connect), as well as the distribution of funds (Mutual Recognition of Funds).

“While implementation details have not been fully announced, we anticipate that the soon-to-launch Wealth Management

of the border. “They will be better positioned as a starting point because what we have found in our customer study is that brand recognition is absolutely critical,” she explains. “So, as you start to see cross-border activity increase, the first thing customers will be drawn to is that trusted brand.”

She explains that the report and survey identified a handful of ‘no regrets’ moves financial services companies should make now , including brand building and customer education as well as staying close to the regulators to have an opportunity to shape what this opportunity is going to look like in the future.

‘No regrets’ moves

“Those are things that every financial institution should be doing right now, regardless of how this is going to evolve, and then more long term, more structural things that will require investment are tailoring the products to make sure that you’re catering to the needs of customers on both sides,” she comments. “And here, the companies that are more flexible, more agile and have more kind of advanced and innovative product development cycles will prevail.”

Digital to fast-track growth

She also observes that the cross-boundary experience needs to be completely seamless, omnichannel and heavily digital, especially when catering to Mainland customers. “That means the companies that are investing heavily in technology, as well as in digital and analytics, are going to be the winners,” she reports. “And finally,” Priscilla elaborates, “there is an important operating

Connect government initiative will facilitate access to additional cross-boundary wealth management products, likely beginning with low- to medium-risk ones and potentially progressing to more complex products in the future,” Priscilla elaborates. “To ensure appropriate risk and capital controls, the Wealth Management Connect is expected to operate under a closed-loop system of cross-boundary fund flow and be subject to fund-flow quotas.”

Insurance is still relatively undeveloped in Mainland GBA cities. In those cities, life and property-and-casualty insurance penetration combined was about 6% in 2019, low compared with developed markets, where penetration is about 10%, and Hong Kong, where it is 18%.

“Closing the gap with developed markets could result in additional premiums of USD50 billion,” she reports. “As awareness of the need for insurance and retirement planning increases among Mainland customers, products such as health and annuity insurance are becoming more popular.”

For lenders, increased mobility within the GBA will likely fuel demand for mortgages and lead to additional cross-boundary opportunities. “According to our survey, 20% of Mainland retail customers and 10% of Hong Kong retail customers would consider getting a mortgage from an institution across the boundary in the next three years. Businesses in Mainland China are interested, too - 45% of Mainland SMEs either already borrow from Hong Kong financial institutions or are considering doing so in the next three years.”

Priscilla reiterates that much remains uncertain today, including the pace and scope of future regulatory changes, population migration, and trade activities, and companies may face challenges and difficulties such as creating products and services that satisfy the different regulations and tax regimes of the region. “Nevertheless, this remains an important and exciting moment for the GBA financial services ecosystem,” she concludes.

“There is an important operating model question, which is around how companies should organise themselves to pursue this opportunity. There are different models emerging, with a handful of financial institutions setting up GBA units and task forces. There’s no one size fits all answer, but there are fundamental questions on accountability, governance and capabilities.”



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Diversification and sophistication

She also explains that in the world of wealth management, the key drivers will be diversification and a more sophisticated value proposition. "Those are the key reasons why customers are saying that they're interested in purchasing cross-border products. Insurance is mainly about better product features and in the case of health insurance, easier access to healthcare on the Hong Kong side for Mainland customers. So, we see that the reasons why customers are very open to these cross-border products differ sector by sector, but in wealth, Mainland customers are primarily seeking exposure to international markets and better advice."

Getting Personal with Priscilla Dell'Orto

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Her recent casework, in partnership with life insurance, banking and private equity clients, has included different flavors of large-scale transformations – digital, customer experience, agile operating model, technology, data & analytics – as well as strategic topics such as market entry and M&A. Prior to joining Bain, Priscilla led strategic planning for the largest division of a leading automotive manufacturer in Europe.

She holds an MBA from the New York University Stern School of Business and a bachelor's degree from Bocconi University in Italy, and was born and raised in Milan.

"My career has rather followed my background," she reports. "I have done a very significant amount of multi-country work so the concept of cross-border is in my DNA. Although born in Milan, I spoke French at home and English at school so I grew up trilingual. My siblings and I went to international schools in Milan and are now scattered around the world."

She says when she joined Bain full-time in the US, she always volunteered for the most far-flung travel projects all around the world. "My husband and I have always been attracted to Asia because of the magnitude of the opportunity and fast pace of innovation."

Leisure pursuits in normal times would include a fair amount of travel and diving. "Since early last year we've had to pivot to camping and hiking, and I started playing tennis," she comments, "but honestly we are lucky to be in Hong Kong and worry for our family and friends abroad. 2020 has definitely been a year to rediscover Hong Kong and all of the great opportunities that it has to offer."

She explains that while she ended up in the world of finance and consulting, she actually hoped to become a neurosurgeon when she was young. "Medicine, in general, is a passion of mine, I read the medical encyclopaedia for fun," she quips. "The closest I get to that today is working with my clients on health & wellness topics. In a world of digital platforms, ecosystems and value-added services, a lot of my insurer clients are trying to go beyond insurance products and into the realm of wellness and the broader provision of care."



Thought leadership

Priscilla explains that Bain likes to be at the forefront of IP around big trends that will likely prove important for clients. “We always like to be on our front foot so we can help our clients capitalise on

customer’s needs is key. Our latest GBA survey complements the extensive customer insights of our NPS Prism subscription service, which is the leading NPS benchmarking solution in the market.” [See box below]

“We always like to be on our front foot so we can help our clients capitalise on opportunities early. In general, financial institutions are at different stages of ‘GBA maturity’. Some companies have taken a more wait-and-see stance and therefore the type of support they might need is defining their GBA strategy, figuring out where should they play, how they can win, what capabilities they need to develop, and how to get started.”

opportunities early,” she says. “In general, financial institutions are at different stages of ‘GBA maturity’. Some companies have taken a more wait-and-see stance and therefore the type of support they might need is defining their GBA strategy, figuring out where should they play, how they can win, what capabilities they need to develop, and how to get started.”

Other companies, she reports, are more advanced and are already focusing on developing tailored products and experiences for the GBA market. “This type of player needs very different support. For example, we might support an insurer in improving its level of digitalisation and customer experience in order to cater not just to Hong Kong customers but to also the Mainland ones who are already used to much more digital sales and service. Deeply understanding the GBA

Winning the Micro-battles

Priscilla concludes by observing that financial institutions that wish to capture the GBA opportunity and build a leading position should adopt an agile mindset instead of waiting for perfection. The most advanced players are those that have already been making some bets, not necessarily massive ones, and testing a few different things. “Bain helps these types of players define and execute the right micro-battles early on. Micro-battles are discrete, time-boxed initiatives that rapidly bring strategic choices to action and formulate ways to scale the results. Through micro-battles, companies can create a microcosm of the future GBA business they want to operate even if they are starting with one very simple product.” ■

Bain & Company's 'NPS Prism' launches in Hong Kong

To help the Hong Kong financial services industry improve on customer centricity, in 2020 Bain officially launched their 'NPS Prism' product starting the retail banking sector, with insurance set to follow in 2021. The subscription service sets new standards for customer insights.

The HK edition of NPS Prism was launched in response to increasing demand from major players in the market to deepen their understanding of their customers and their needs. There is increasing pressure on HK banks to improve their customer experience in light of the emergence of virtual banking.

"The role of virtual banking in CX is rising further in importance as the banking industry experiences changing customer perceptions and behaviours during the COVID-19 crisis, with a shift from physical branches and payment methods to digital options," Priscilla explains.

NPS Prism helps clients drive actionable customer insights on a product and episode level, including operational and channel-related drivers, as well as customer verbatims to understand the voice of the customer. Through a customer study and interactive data dashboards tailored to the unique needs of the HK Banking industry, NPS Prism allows clients to understand which customer episodes matter most, how they compare to the competition, and what their priority improvements are in customer experience.

After its launch year, NPS Prism for HK Banking customer data will be updated quarterly, allowing clients to monitor the real-time impact of COVID-19 on customers' banking experience.

"The overwhelming response and feedback we've heard from companies across the board have been very positive, especially in the banking sector," she elucidates. "So, we felt that now was the right time to launch in Hong Kong, to help our customers there identify the areas where improvements are crucial and to help them provide superior customer experiences. The market in Hong Kong and our customers have been going through a period of immense change and so have had to evolve their ways of working as a result. NPS Prism will be able to help them gain the deep insights that they need in order to meet these changing expectations and to build customer loyalty."

NPS Prism for HK Banking also includes deep dives into how virtual banks will impact the customer experience in the HK banking market and looks at the key reasons to go virtual. This includes factors such as better user experience, lower fees, higher interest rates for saving/lower rates for loans, and innovation.

"Of the customers Bain recently surveyed, approximately one third reported that they were either 'likely' or 'highly likely' to go virtual when the service was available to them, indicating the strong desire for online banking products in the market," Priscilla concludes. "This is indeed a significant opportunity ahead and it will be interesting to see how the battle between traditional banks and virtual ones will unfold in the region."

