



BCG areas for action - part 3: Look good or be good?

It has become more important than ever for wealth managers to really know their prospective clients, to identify to whom the individual wealth manager can really add value to their lives. By Kees Stoute

In this third, and last, article following the findings in BCG's Global Wealth 2016 report, I want to focus on the third area for proposed action: shifting needs for traditional wealth-based client segments.

In relation to this aspect of wealth management, BCG concludes that the traditional approaches to segmentation, which are based mainly on wealth levels and cost-to-serve models, have passed their expiry date.

In order to succeed, wealth managers need to adopt a more comprehensive and client-centric approach, decide how to sensibly segment their current and prospective clients, clearly identifying their clients' needs, and define value propositions accordingly.

FINDING THE RIGHT APPROACH TO KYC

I could not agree more.

However, after having read the report, I am not certain if I understand and also agree with *how* BCG reaches this conclusion.

Knowing your (prospective) client (KYC) is essential for a number of reasons:

1. It reduces the risk that you entertain the wrong clients (eg. AML). We could call this *the reputation protection reason* of KYC
2. It enhances your ability to provide a truly value-adding service to your clients. We could call this *the client-centric servicing reason*
3. It increases your chances to effectively 'influence' your clients by making them believe that there is no doubt that you are in fact their ideal service provider. We could call this the *client-focused marketing reason*

The BCG report seems to place the most emphasis on this third rationale for undertaking KYC:

- If you want to attract UHNW clients, you better make sure you give them access to alternative products and emerging markets
- If you want to appeal to millennials, make sure you offer price transparency and a highly-sophisticated digital solution

In other words: define your (niche) target segment – such as women, millennials, sportsmen, etc, find out what they want and make sure you have it.

What I would have preferred to read, though, is that it is obvious that client-focused marketing is dangerous if it is not founded on an ability to improve the quality of your clients' lives.

DON'T JUST GIVE CLIENTS WHAT THEY WANT

A few years ago, a jury decided that Dr Conrad Murray made the mistake to give Michael Jackson *what he asked for*, resulting in Michael's early departure. Dr Murray was given a few years to think about this in prison.

Convincing the public that you can offer what they want is unethical if what they want is not what they need – or worse, if what they want is harmful to them.

Only once you are confident that you have an ability to improve peoples' lives, does it become important and appropriate to develop a client-focused marketing strategy, aimed at convincing the public about this ability.

Looking good is important, but you can only develop a truly sustainable business and set of client relationships when you *are good*. ■

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