Citi's approach to growing retail banking in Asia

With a remit across 17 markets including 5 in EMEA, including retail banking and wealth management, Gonzalo Luchetti has a clear vision for evolving the nature of the conversation and interaction the bank has with the region's urban-based, affluent and emerging affluent. He tells Hubbis how he plans to achieve this for Citi.

THE FACT THAT 17 of the 19 consumer markets Citi is in are managed by Asia underlines the region's importance to the global retail and wealth management business.

"We feel Asia Pacific is one of the best opportunities we have across the world," says Gonzalo Luchetti, Citi's Asia Pacific retail bank head. "Looking at different profit pools, there is an expanding wallet in investible assets largely being grown through wealth creation in the region. It's also one of the fastest-developing parts of the world when you put scale together with speed of growth."

GONZALO LUCHETTI
Citi

As a result, the bank is confident about investing in the region. In short, Citi's wealth management value proposition, which covers the full spectrum across the retail bank, is primarily an urban-based, emerging affluent/affluent strategy.

Yet in trying to accelerate its scale in this way, it has opted to do so selectively, rather than aiming to be all-things-to-all-customers everywhere it operates.

Key to getting its offering right in today's marketplace, believe senior executives, is offering a multifaceted service to the individuals it wants as customers with a strong digital component.

The plan, therefore, is to further combine an array of digital touch-points with access to a more focused, needs-based conversation with better-trained frontline advisers.

Regional prioritisation Independent research on Citi backs up the fact that the Asia Pacific consumer business should be the fastest-growing segment for the bank. And Citi is delivering in the region with four consecutive quarters of growth in global consumer banking in Asia Pacific.

Further, said CLSA in a report in early 2015, this unit should reflect Citi's prototype for the rest of the franchise.

It highlights three reasons for this: first, the target segment is the affluent and emerging affluent as opposed to the mass market; secondly, branch networks are geared towards major metropolitan areas and, if markets do not have a sufficient and consistent affluent customer base, Citi has been closing branches in rural areas, while adding new ones in urban locations; and thirdly; the bank intends to target more growth in its Asia consumer business, given favourable risk-adjusted returns due to the combination of an ability to charge more for risk (as opposed to the US) and customers who pay back more often (vis-a-vis Latin America).

CLSA also pointed at the time to efforts to integrate systems as being key to aiding the client experience. In turn, this should also lead to improved synergies.

"[Citi] is also enhancing its retail ecosystem by optimising physical and digital touch points, creating a lower-cost but high-impact footprint."

This report was published only a few weeks after Luchetti was appointed to his current role. Since then, he has been focused on spearheading the distribution he is responsible for towards the goals outlined - and some even bolder ones.

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Redefining the proposition However, Luchetti knows his competitive environment has intensified and broadened significantly in recent years - and that he must adapt and evolve.

The attraction of Asia's wealth pool and consistent growth rates has resulted in competition from multiple players which simply didn't exist 10 years ago.

"We have seen a lot of local suitors up their game," he says. "The capabilities of these banks were fairly simple and plain vanilla in previous years. Since then, they have developed a much more competitive proposition, whether in terms of technology, product or talent."

At the same time, while some of the sub-scale players have been forced to exit the market or pare back their operations, those firms which remain are building a much more focused business on their target markets. Luchetti gives an example of compression in the HNW space, where the landscape has shifted. Some global private banks are no longer in Asia, while aspiring local players are raising the ante with dedicated HNW propositions.

Several other components of the offering to affluent and emerging affluent customers have also increasingly come under the spotlight as essential differentiators for the way wealth management in Asia is expected to look and feel in the years to come.

Digitisation ranks highly among these. This is in line with the decreasing frequency - and interest - in terms of personal, in-branch engagement among many of these individuals.

"We are having a lot more interaction with clients on an average basis per month, but much fewer of those happen in the physical realm," says Luchetti.

This ties in to Citi's strategy over the next five to 10 years to gradually change its network infrastructure geographically, including the 'urbanisation' of its retail banking business towards more specific hubs and a

Reinforcing the brand

THE CITI NAME CLEARLY CARRIES a certain degree of cachet within the retail and wealth management space across the region. The bank's reach reinforces this; through Citigold Private Client and Citigold, it serves more than 600,000 of the region's most affluent consumers. Citibank is also the top card issuer in Asia Pacific, with about 17 million open card accounts.

Geographically, the consumer bank's largest markets are mostly in developed Asia, meaning Korea, Singapore, Australia, Hong Kong and Taiwan. Growth opportunities seem greatest in the region's biggest consumer markets of China and India – and also in ASEAN markets like Indonesia and the Philippines.

To broaden its appeal to its target audience, it also launched Citi Priority. This basically targets those customers with up to USD100,000, to complement the existing segments of Citigold, for individuals with investible assets of USD100,000 to USD1 million; Citigold Private Client, from USD1 million to USD10 million; and then the private bank takes over. ■

higher concentration of relationship managers (RMs). “In some cases this will mean fewer outposts, whereas in others it may mean the same number of outposts but a different look to them,” explains Luchetti.

“There will be much fewer 20,000-plus square foot branches, and those will be flagship and central hubs, with many more compact formats in hotspot locations,” he adds.

Deeper and richer Despite the importance of digitisation in all aspects of the customer experience and execution, Citi is not overlooking what has traditionally been the bread-and-butter of wealth management: a personal touch.

Even among younger groups of clients who are of the Facebook and WeChat era, research the bank has done with both existing and prospective customers shows a desire for some degree of human interaction. “They don’t only want the self-assisted experience,” reveals Luchetti.

Probably the most important way to make the most of the human aspect to the advisory equation is for the bank to be able to use it to pivot into providing much more ‘holistic advice’.

While one of the most over-used industry terms, Luchetti can define it, and his vision to implement it, very clearly. “We want to elevate the level of questions we try to answer together with the client. This doesn’t mean the outcome of the advice is not a portfolio recommended alongside policy protection and perhaps some credit-related needs being satisfied. What it does mean, is that hopefully we can help clients understand how they should think about their lives in the context of how much they should borrow given their circumstances, not just their net worth, and also based on the income they have, their family situation and their current level of protection.”

In practice, a more meaningful conversation with a client could start off by asking them whether they want to send their kids to Harvard, for example, in 20 years’ time.

This is a stepping-stone to understanding what they need to do in order for that to happen. So given that the fees at Harvard might be increasing at a faster rate than inflation, a strategy can be discussed and implemented now.

Such advice is rare to see within banks servicing the customer segments that Luchetti is focused on.

This is because while that type of discipline is common to see among accredited financial planners in more developed markets like the US, it doesn't really exist yet in a lot of the emerging markets.

"This is really the crux of how we see the business developing, and this is the leadership position we want to take in approaching that problem," says Luchetti.

This is based on the fact that he believes that more clients in his target markets now have an appetite for this dialogue.

Even if the outcome of the financial plan and conversation is a series of transactions, it enhances and advances the client engagement and overall relationship for both the client and the bank.

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A future-proof model At Citi, the belief is that the winning model in wealth management is one where there is a triangle between the client, RM and do-it-yourself approach.

"So we need to have a seamless ability to service clients when they want to operate without talking to a person, but at the same time we have the ability to give them the RM experience, to also help them navigate through the complexities of investing," says Luchetti.

When it comes to the investment part of the portfolio, the bank will continue to pride itself on offering what it considers to be best-in-class products.

It sources these from a combination of a premier funds platform, an Asian hedge funds platform, and its investments lab expertise.

"We have a house view, and we select the funds which we think are the best, and where we want our people to be talking about the best ideas that we have on a consistent basis," says Luchetti.

The best producers the bank has are those RMs who avoid talking only about a certain mutual fund of the month.

Instead, they know the families of their clients and help them plan for their future needs.

Citi's priority, therefore, is to try to steer the other 80% of the bank's customer base in Asia, which has been more transactional in nature, towards the richer, holistic advice.

"This is the journey we are on," confirms Luchetti. "It's not a year or two's effort, and while we have tools to help us, it also involves a huge change in management processes to start making people think differently about their engagement with clients."

So in order to implement some of the required RM training that the bank knows is critical to its success, a new initiative is to team up with The Wharton School of the University of Pennsylvania to form the Citi Wharton Global Wealth Institute.

The over-riding objective is for RMs to be able to have a richer advisory conversation with their clients. "This is the starting point for the pivot." ■

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