

Giving clients the product proposition they want

Lavanya Chari of Deutsche Bank Wealth Management is a staunch believer in working with clients to meet their shorter and longer term needs – not fitting everyone into the same bucket.

With the potential to access the relevant suite of products from the investment banking side of its business and various counterparties across the street, Deutsche Bank's wealth management business is confident that it has weathered the storm over the last 12 months better than many of its peers.

"We have focused on a few different things," says Lavanya Chari, head of global products and solutions at Deutsche Bank Wealth Management in Asia Pacific. "One is capital markets, which is our bread-and-butter business. And we have made a concerted effort to grow the accruals business, both from a funds perspective and from a discretionary portfolio management standpoint."

At the same time, she adds that in terms of structured products, credit-linked notes have been a big success story for the private bank. But the bank has much more to offer. And going forward, Chari explains that continuing to try to diver-

sify the product offering is high on the agenda. It all stems from an approach which is about having conversations with clients to help them meet their needs – whether these are short-term or long-term in focus.

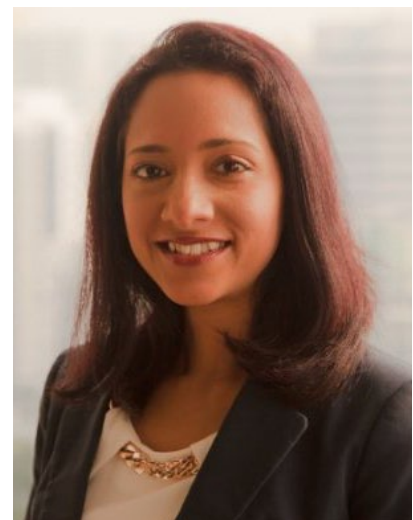
REFRESHED

The goal for the more forward-looking private banks is to continuously enhance the value proposition and suitability framework for their product offering.

There is no question in Chari's mind that this involves refining the mix.

"This is what we are in the process of doing," she says. "For example, we are focusing more on discretionary portfolios. We are also making a concerted effort to expand our alternatives offering to clients to give them access to opportunities they otherwise wouldn't get."

This is based on the banks' relationships with pretty much all the fund houses on



LAVANYA CHARİ
Deutsche Bank Wealth Management

the street, from which it can develop bespoke alternatives products. For instance, it works with managers to create feeder funds to essentially give clients

the ability to invest smaller amounts into funds that would not be accessible to them otherwise. Private market opportunities are also in focus, involving sourcing opportunities for clients.

A further change is likely to come in terms of the bank doing more on the digital front. “This is a significant focus area for us,” explains Chari. “The way clients look at their money has changed because the world has changed, so we are working on several initiatives to try and take this business to the next level, including portfolio analysis plus our internal straight-through processing to bring down costs.”

More specifically, the bank is building a tool which looks at a client’s portfolio and the extent to which it deviates from the model portfolio based on the client’s agreed risk appetite and requirements. RMs can then discuss this with each client on a regular basis, to determine if that’s what they want in the short term, or if they want to move back to their ideal, or model, portfolio.

THE RIGHT CONVERSATIONS

A lot of the time and energy the bank is spending to evolve in these ways is also for the purpose of facilitating more needs-based conversations between front-office advisers and their clients.

“We need to offer clients more of what they need,” acknowledges Chari. Some clients will definitely want funds, so those are the individuals to whom the bank will offer managed products and discretionary portfolios, she says.

Then there are other clients, such as the young entrepreneurs in some countries in Asia, for instance, who are unlikely to cede supposed control over their portfo-

lio to a private bank, so the ability to trade FX, equities and other products they have a view on becomes the priority.

Even though the bank might give them its house views and access to its product suite, they simply won’t relinquish control. To Chari, this highlights the stark difference between what happens in Germany and in Asia. “These are the two extremes, and I have several conversations with my counterpart in Germany where he wants to make his business more like mine, yet I want to make mine more like his.”

Yet while the goal is to take the best-in-class from both sides and try to combine them, the reality is that the penetration of discretionary mandates in Asia, for example, will continue to be limited relative to Germany for the foreseeable future.

The fundamental difference in attitudes and needs of Asian clients is exactly why Chari believes relationship managers (RMs) must have bespoke conversations with the client – rather than try to squeeze them into a mind-set which just doesn’t seem to fit.

“Many Asian clients want returns. They do not want returns only in 20 years’ time; they want them annually.”

As a result, she believes that, in addition to a long-term portfolio, it is equally the fiduciary responsibility of the adviser to try and meet all client needs. It may not be possible every single year to achieve the desired returns, based on market conditions.

And even where there is a short-term focus by clients for a specific investment or part of their portfolio, this doesn’t – or

shouldn’t – impact the long-term relationship with the RM.

“Our top RMs have known their clients, and often their families, for 15 years or longer, and they do will not do anything that would negatively impact the client,” she explains.

According to Chari, the need for broader and more open conversations with clients is also a key way for private banks to provide more value.

“Clearly we speak to them about the markets and the product offering across different asset classes, but we also have conversations with clients around their personal situations,” she says.

This ranges from discussing setting up trusts, to children getting married, to the possibility of divorce, to insurance. “We work on every aspect of the client’s finances and business dealings,” she adds. “We have a wealth planning team whose focus is on the clients’ best interests.”

BROADENING THE OFFERING

UHNW clients have been one of Deutsche Bank’s key focus areas over the last several years.

This is driven by its capabilities across different products and asset classes.

“We have every single aspect of the product suite, across the spectrum, which very few other banks do,” explains Chari.

In addition, the bank is now targeting the broader HNW client segment in Asia. In line with this, the bank is working now on improving its systems as well as its processes, to service this larger group of clients. ■