

Reaping the rewards of innovation

Commoditisation of products has hurt the ability of many private banks to generate decent revenue. But Deutsche Bank Wealth Management has a variety of solutions – and revenue models – up its sleeve to achieve its growth goals, says Lavanya Chari.

Deutsche Bank wrapped up the best ever quarter in its history of wealth management in March, despite the lack of product choices that many industry players seem to bemoan.

A combination of the one-bank approach and an intense focus on innovation have created a holistic approach that runs the gamut from investment products like deposits, equities, fixed income and structured products to wealth planning, trust solutions and bespoke transactions, such as IPOs and private market transactions.

“We have good relationship managers (RMs) and a service offering that provides holistic solutions which not many banks can match,” says Lavanya Chari, Managing Director and Head of Global Products and Solutions for Wealth Management in Asia Pacific.

This is the result of a carefully-thought out strategy to enable the bank to

carve out openings in all sorts of market conditions.

SIMPLICITY FIRST

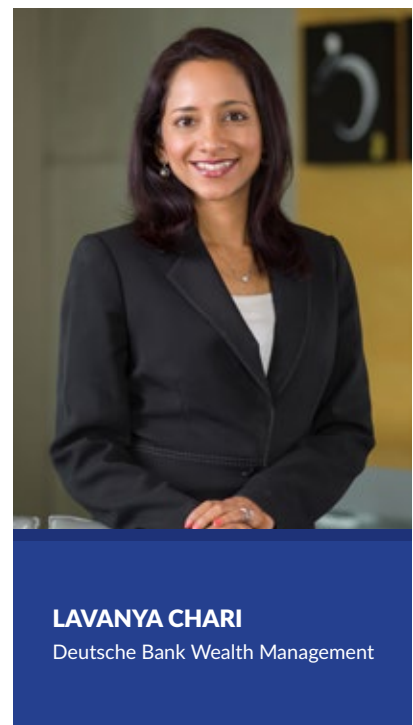
Even at the more commoditised end of the product spectrum, Chari says Deutsche Bank has been able to differentiate itself due to the way it selects its funds.

This is an extensive exercise at the bank, with a designated in-house group tasked with the sole responsibility of selecting and monitoring funds.

But it is in structured products where she believes that Deutsche Bank has a clear edge.

The bank has what she describes as a knack for generating out-of-the-box ideas for clients.

“We ourselves also create ideas, rather than only relying on the investment bank,” she explains.



LAVANYA CHARİ
Deutsche Bank Wealth Management

And while the ideas need to be new and interesting, simplicity is key. “The days of the highly complex ideas are gone,” explains Chari. “I don’t see

clients doing highly complex structures and pay-offs.”

Yet this requires an innovative mind-set in itself. “Simple ideas are much harder to come up with than complex ones,” she adds.

In many ways, innovation has been a central theme for everything that Deutsche Bank does from a product perspective.

“Clients value our ability to spot relevant opportunities in the market and deliver them in a manner that suits their portfolio and their requirements,” she explains.

NEW REVENUE MODEL

Creative thinking is now taking on a new meaning at the bank, as it starts to rethink the way it charges its clients – in part in response to regulators in Asia weighing up the idea of axing trailer fees.

As a result, and also to ensure a steady stream of recurring revenue, Chari says Deutsche Bank plans to charge clients in different ways depending on their preference.

It has come up with three models: the first gives clients the option to pay per transaction; the second enables them to pay a flat fee and carry out as many transactions as they want; and the third is to go for a discretionary portfolio.

Yet clients can also opt for a mix of the three.

“Clients can decide which model works best for them,” explains Chari. “We’re not double dipping, as we’re not charging the client for transactions and a flat fee.”

FUTURE-PROOF

Yet not every aspect of Deutsche Bank’s wealth management strategy is driven by revenue considerations.

Through its wealth solutions arm, for example, the bank looks to add value to clients by helping them with their many concerns relating to inter-generational wealth transfer and protection.

Automation is another priority to position the bank going forward. In

“Digital avenues will help RMs get more information in an easier way and enable them to make more informed decisions,” says Chari.

The digital initiative is partly driven by the bank’s wealth management strategy to enhance clients’ experience.

“Clients do not like to fill manual forms either,” she explains. “Everything else in their life is on an app on their phone, so they want to move to the

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line with this, Chari says her focus is on making the internal trading platforms more efficient by getting rid of manual processes.

“Besides boosting revenues, automatic processes have enabled the bank to process more trades,” she says. “A lot more RMs are able to do the pricing themselves.”

DIGITAL DRIVER

While banks generally have been rather slow to date in leveraging technology, Deutsche bank’s commitment has been to double-down efforts on digitalising the experience for RMs and clients alike – with the aim of creating a positive impact on everyone involved.

Recently, for example, it rolled out an app for its RMs called Spotlight, a one-stop shop for market views, news, trade ideas and fund updates. A similar app is in the works for clients.

next generation with their investments too.”

Deutsche Bank Wealth management also announced in mid-2017 its investment of EUR65 million in new digital capabilities globally from 2017 to 2019.

Her view is that it is better to partner with fintechs and robo-advisers than try to compete or build in-house. She doubts that robos will replace RMs altogether given the nature of the wealth management business, where interpersonal relations matter a great deal.

“We absolutely need RMs,” says Chari. “This is a relationship business and clients rely on the RMs to a large extent. It’s not about flogging products, it’s about caring for their clients.” In early June, for example, Deutsche Bank announced that it will hire 100 client-facing employees, with half of those hires taking place in APAC. ■