

Simon-Kucher & Partners Leaders in Asia on How to Define a Winning Proposition for Private Banking Client Segments



Dr Silvio Struebi, a Partner at the global strategy and marketing consultancy Simon-Kucher & Partners based in Singapore and Hong Kong, believes wealth management firms should up their game when it comes to pricing products and services to reflect their value. He believes they need a major re-think of their business and revenue models, technology, and how they will connect to a different and, in many ways, more demanding clientele in the future. Hubbis met with him recently, along with his colleague Alan Lim, a Senior Director of the firm, based in Singapore. They offered their latest insights into private banking and the challenges the wealth management industry faces to adjust their pricing practices and revenue models in order to future-proof their businesses while remaining compliant in the face of an ever more invasive and inquisitive world of regulation.

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ALAN LIM

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is a specialised strategy consulting firm with over 1,400 employees operating out of 41 offices across the globe. "As a specialised consultancy, our primary focus is on pricing, marketing, strategy, and sales," Struebi reports. "In most industry verticals, we focus on the commercial angle of pricing and sales. In heavily regulated industries, there are other vital considerations when we develop our recommendations."

Focus on financial services

He explains that his core mission in Asia Pacific is to support banks and other financial service providers in designing a winning proposition for their markets. He explains "We work with our clients to figure out what their target clients really want, and we bring this knowledge back to our clients. We then help create products and services their end clients love, and develop the pricing strategies that allow banks to generate more predictable and sustainable revenues. It is important that these financial institutions offer options to their clients and align with their needs.

Getting Personal with Alan Lim

Lim was born and raised in Singapore and graduated from the Singapore Management University. His career encompasses a decade at a multinational bank, having joined them as a management associate and then gradually rising through the ranks in different positions before joining one of the Big Four with the Performance Improvement Advisory and helping the firm build out its activities in digital transformation for financial services and insurance. "And then I joined Simon-Kucher, enjoying this fantastic job on monetizing, pricing and the value proposition for banks."

We work closely with our clients to help them bring this all to life through a holistic approach connecting the dots."

He summarises this by explaining that this means the firm focuses on key areas such as growth strategy, marketing, new business models, pricing and monetization strategies, sales, and digital tools, which act as key enablers. "We are offering our proprietary pricing software to support monetization strategy and to implement these evolutionary changes. While it is largely used in private banking, the software can also be used in retail or corporate banking," Struebi reports.

Things need to change

The theoretical and practical platform for their work in the region has been that the existing approach to monetization in the wealth management sector in Asia needs to be addressed more professionally to provide sustainable growth and superior service while diminishing growing regulatory risks.

However, they know that transition to higher pricing transparency and a new revenue

models is not an easy one. The struggle around pricing in the wealth management sector in Asia results significantly from the continual focus on transactional and spread-based revenues as opposed to recurring revenue, or at least, commission-based revenue. In any case, a better balance is required in the future.

Aligning with clients needs and expectations

"We continue to believe that the private banking industry really needs to change how they are operating," Struebi reports. "The clients are changing; they are more digital and more engaged. Newer generation clients are coming through to inherit or make Asia's vast private wealth, and there are new and different expectations amongst these clients. If the banks do not adapt accordingly, they risk losing out to nimbler, smarter competitors. Those mainly digital platforms are now only a small segment of the market, but they will gain share and banks will lose out."

He maintains that banks have to go well beyond product selling in the future. They need to look at clients more holistically and



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become a financial partner for life. This all has a lot of implications on sales, the coverage model, digital propositions, and pricing.

Refining the value proposition

"When we look at Asia, we see a lot of growth in the affluent segments (1m to 5m), and the banks are often operating in segmented silos. An example of this would be branded silos or private clients," he observes. "But we think they really need a clearly defined value proposition in each segment, building a seamless wealth continuum that allows clients to move up the wealth segments over time. Some examples are to develop feature-differentiated investment propositions across general advisory and advisory mandates as well as mass-customised discretionary management solutions to better serve the different client segments across the wealth continuum."

Making it more intelligent

Lim adds his insights. "The banks have lots of content, such as a large library of investment research and ideas. With technology

Getting Personal with Silvio Struebi

Struebi hails from St. Gallen in Switzerland, and was educated there throughout, all the way to his degree in Business Administration from the business school and his PhD in Marketing & Consumer Psychology.

He has enjoyed his career at Simon-Kucher and is grateful to the firm for trusting him to build the banking practice in Asia out of Singapore and Hong Kong, moving out to the region in 2016. "I have been in consulting for nearly 15 years in banking and working with many wealth and asset managers. Of that time, more than a decade is with this firm."

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advancement, clients will want this information to be delivered digitally and, more importantly, receive intelligent investment recommendations based on this information to help them to make informed choices in the shortest possible amount of time," he observes. "Clients want personalised and relevant insights. Instead of a product-pushing approach, they will want to see how investment advice fits into their overall investment horizon, goals and needs. So, banks need to shift their mindset on how they engage clients to intelligently provide them with a seamless

investment experience, working towards a tailored portfolio in a far more holistic manner. Understanding the customer and embedding themselves in the customer journey is important."

The need to adapt

To achieve these goals, Struebi adds that banks need to overcome some hurdles and change certain approaches. They need to upgrade digital capabilities, review their remuneration and incentive structures, and boost suitability and relevance, partly for obvious client engagement reasons and partly due to regulatory pressures.

On remuneration, he explains that a transaction-based model in a decreasing margin environment might increase the risk of unfair charging in the long run. He says that in the quest for AUM, overweighing volume-based targets might lead to the acquisition of low-quality assets and volume churn. He emphasizes that a balanced scorecard including revenues, high quality AUM growth, customer satisfaction and compliance would result in both quantitative and qualitative measures to steer positive staff behaviour and achieve better outcomes.

Digital Evolution

Lim adds that the speed at which banks can adapt their overall models and approaches depends on their roadmap and how well they are able to adapt legacy systems to move forward. "We too often hear banks saying 'I can't change this because my core banking system cannot accommodate such requirements,'" he observes. "But that is dangerous, as the new technology players are much faster and more agile digitally, so the incumbents need to invest in technology while also changing their mindset and adapting their cultures."

Struebi observes that the evolution of the culture and mindset of the banks is already being facilitated by the arrival of a more diverse managerial infrastructure, with senior executives increasingly coming in from a variety of different industries and segments.

"We are also seeing a two-way transition," Lim adds. "We see tech players are moving into financial services, like FinTechs, and we also see banks and other financial service

Key Priorities

Struebi reports that one of the firm's core missions is to grow its pricing software business provided to banks regionally and globally. "We also want to grow our footprint in Asia. With roughly 100 people across Asia Pacific today, we are aiming to scale that up significantly over the next 12 to 18 months," he reports. "On top of those two missions, we have a variety of strategic initiatives in hand, where we want to better support our clients in the future. One, for example, is to help sales initiatives to bring more AUM under contract to grow the recurring fee base, another is the monetization of digital private banking, and another is looking at subscription-based pricing models, leveraging our knowledge across many industries, from software to insurance and others. Above all, we aim to help clients offer a more holistic proposition, using our perspectives from our broader practice across different sectors and industries."

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players moving into technology, like NeoBanks. It all boils down to who has the client base and ability to engage the clients, fulfilling their everyday needs."

Finding your competitive edge

Struebi returns to dive deeper into his earlier comments regarding segmentation and the offerings within each segment, noting that, whereas everybody used to think they can compete across all segments, some banks, especially the smaller ones, realise they cannot cover all segments, due to scale and cost.

"Each bank needs to determine exactly where they can compete, what their USPs are, and which markets they are in for the long term," he reports. "We have seen some major banks announce withdrawal from core historical markets to refocus on other markets or segments. They are all working out where they can service clients best, and how they can best serve their chosen segments, based on the end-client experience."

Agility – vital to the future

This led Lim to comment on the drive amongst organisations

to become more agile. "Agility demands constant feedback from clients, with an iterative approach in development, monitoring and launching services and products, rather than a traditional Big Bang approach," he reports. "We need to see more ecosystem partnerships, so banks can offer services and products to their customers outside of their own scope."

An analogy, he added, would be buying a car, where all the financing is provided through the dealer, with no need to see a bank or banker as it is all at one stop. So, too, private banking and banking can be all at one stop. "It is a journey of transformation," Lim remarks. "You must deliver a seamless offering, and you must continuously test and learn because customers evolve their needs and expectations every two or three years."

Small wins add up to big wins

Struebi offers more insights on the key trends he sees evolving. The first is the simplification of

products as simpler products are required to bring down costs in an increasingly digital world. The second trend is towards personalisation or modularisation. For example, bringing elements of the DPM offering to the wider market segments and expanding more of the traditionally UHNWI-focused estate and next generation planning into a broader market. Wealth planning needs to be offered as cost-efficient, self-serviced, and goals-based, taking a holistic approach to the client.

Innovation is essential

"Innovation across the whole value proposition is also a key trend," he reports, "as is the need to define your USPs. "We don't believe that wealth management will change in totality, but banks will need to differentiate with their own 'wow' factors. We did a study two years ago and we realised then how important the brand and reputation is for new customers. Then you need differentiation on top, such as, for example, the Apple iPhone face recognition

revolution. In short, banks need more 'wow' factors to make them stand out."

Lim adds that, in the future, the RM, client-facing advisor, will be central to the proposition. He explains that digital approaches and solutions making them more efficient, productive, relevant, and proactive are central to the rollout of a differentiated and elevated offering.

Results are coming through in practice

Struebi closes the discussion by observing that, by following many of the directions they had highlighted, they have seen how wealth management firms' revenues can become more evenly balanced between transaction-based and recurring fee income while reducing the risk of regulatory transgressions. "These outcomes will help make banks and wealth management firms fitter for purpose, their staff more satisfied, and their clients more loyal," he concludes. ■

