# Stepping Out of The Box: Solving Pressure Points and Opening New Doors

*The social marketplace named Obuhi has been created to connect talented Asian freelancers to those seeking their services. Bassam Salem, CEO and Founder of Obuhi, formerly CEO of Citi Private Bank, has a huge wealth of experience in wealth management in Asia, and is aware of the enormous pressures facing businesses, not least of all from the perspective of talent. He delivered an animated Keynote Address to the audience at the Hubbis Digital Wealth Management Forum, explaining to the delegates exactly what Obuhi offers, and why digital can help make wealth management businesses both more efficient and more imaginative.*

**SALEM EXPLAINED THAT AT THE AGE OF 60** he had felt it was the right time to retire from corporate life, but that his passion for being active and engaged led him to the creation of Obuhi in early 2018.

"Digital is the way forward, but I do not yet see our wealth industry embracing it sufficiently," he began. "Innovation comes from solving client problems, that is where we should start. It is with this philosophy that I run Obuhi whose core mission is to help enterprises globally source talented freelancers, both efficiently and cost-effectively."

## Seeing the pain points

He told the delegates how pleased he was to open the 2019 Digital event. "Hubbis has asked me to address a number of vital areas of wealth management digitalisation," he explained. "Accordingly, I want to focus on how to solve client issues, gain advantage using digital strategies, on how to improve profitability in the private banking and broader wealth management industry, and also how to monetise the data that we all have."

He said that he is today an 'angry man'. "Why should that be?" he asked rhetorically. "Well, it is because everything we do in

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this industry should be digitally enabled, but it is not. It is, but only in parts, and much can be done to improve things."

## Disruption ahead

He cited the warnings of Dr Vivienne Ming, who armed with a PhD from Carnegie University is a professor at Singularity University. "She cautions that the career paths of our industry, and indeed others such as law and even medicine, will be dramatically disrupted within the next decade," he explained. "The premise is that if you know what you're going to advise your clients before they ever walk in the door, then AI can do it better, faster, and cheaper."

## Building bridges

"We all need to think about this," he advised. "For example, we all need to acquire new clients, but it often takes two months to open an account, that is not a good way to start a relationship. If you open an account with PayPal, it takes three minutes to open. About 80% of our clients are plain vanilla, and we should be able to open those accounts very quickly, in other words almost instantly, especially when those clients are coming from other major, reputable banks. But we have not found a way to work together in this industry, to trust each other, we have not yet built systemised bridges between us."

## Being transparent

Cash management, he observed, is another key area for the HNWI space. "Clients want immediacy, they want the range of choices and they want rapid execution of trades, but we do not yet offer them transparency, meaning we need to offer them the clear picture of what they are paying for and how that compares with other offerings elsewhere, like buying an airline ticket these days. We must not be afraid of this level of transparency."

And in terms of advice, Salem reasoned that clients in the wealth management industry can better decide on the level of advice they want if they are fully aware of what other people are doing and have a range of choices laid out for them. "We must look at what people are doing in social media or other digital companies and apply it to what we do," he stated.

## Rethinking refunds

Refunds, he said, are a massively disappointing area that needs addressing in the wealth advisory business. Whereas in other online businesses, refunds can be instant, in the wealth business refunds for

clients, even with very justifiable complaints, generally take an age to resolve.

"Make the experience a good experience for your clients," Salem advised, "because the experience they have with us, in the digital world, is not a very good experience, so far."

He highlighted how interesting a business the wealth industry is, but how it is less and less profitable these days, due to compliance and other costs, competition, and the difficulty of offering something that is differentiated from the 'street'. "From a client perspective," he remarked, "it feels like everyone is offering exactly the same products and services."

## Horses for courses

He noted that a structural problem for the industry is that it all too often has the wrong leaders. Most of the leaders were RMs, but they end up running a business, or the country, or the region, or the group, and are often not properly equipped to manage the whole enterprise, including cost management, the largest of which is rent and staff.

"The costs of rents in Asia, for example in Singapore and Hong Kong, are actually far higher than in London, Zurich, Geneva or New York," he noted. "But we don't always need all the space we have. Flexible working space can be considered, we need to change from fixed costs to variable costs."

## Flexible engagement

The second highest cost is salaries, which for RMs, the product specialists and IT staff are extremely high, he observed. "But the smartest people are independent, and the wealth industry can't hire them because they don't want to work for you. They are millennials, they like the flexibility of working whenever they would like to work and hence, we have started by outsourcing people from Hong Kong and Singapore to Manila and Chennai and Portland and Tampa and so on and so forth. Using freelancers is another great way to reduce costs, to make fixed become variable."

## Caveat emptor

Salem also addressed the issue of growth. This, he said, can be organic or via acquisition, but if the latter the buyer is often taking on a lot of unknowns, including legacy legal or other issues that might not surface in due diligence. For organic growth, the model is all too often simply hiring RMs at higher remuneration packages, but the RM seldom if ever has a selling proposition that will advance the bank significantly. "It seems just to be a vicious circle of hiring for less and less return," Salem observed.

## Online relationships

But he raised the idea of digital acquisition of clients. Salem explained that the private banker's role can be split into client acquisition, relationship management, the orchestration of the product and services of the bank, advice and so forth.

"But you can also have an independent channel to acquire clients digitally online, independent from the private banker, who is the most expensive item that you have. So, how about you keep your private bankers, but you have an additional, much cheaper, distribution channel. This industry has masses of content, but it is guarded preciously whereas it could all be available online so that the clients see it and see how smart you are. Onboard them online, if they like what they are seeing, and they would like to engage with you. Manage the relationship online, have a chat box, provide the advice that I mentioned earlier online through robo-advisory. Nothing, absolutely nothing, stops a private banker individually today to engage digitally and promote himself."

## The comfort zone

After all, Salem added, the main goal of the RMs is to acquire new clients, a role they generally dislike. "It is so much easier to go to your existing client and so much more difficult to acquire a new client," he remarked. "But if you use social media, Facebook, Instagram, LinkedIn, and so on there are really useful ways to use it to acquire new clients, and then you can manage them digitally, as I mentioned."

## Monetisation

Salem turned his attention to monetisation of the massive amount of data the banks and wealth managers hold on clients. "We don't even know what kind of data we have, and we are fearful of data privacy," he remarked. "But we can go to clients, we can say 'ok you own this particular stock, but have you thought about this other idea that is related to that stock, or sector, or in another, better, sector'. And the client will generally listen to that idea, because the opening gambit for the discussion is something they can engage with."

In short, Salem advised the delegates to use the data they have, wisely. "The more that we interact with our clients the higher the probability that they will transact with us," he said. "Use the data to engage more with the client, online, by telephone, or face-to-face, raise the frequency, provide ideas directly related to the client."

## Selling outside the norm

Salem also noted that major global banks with extremely wealthy clients - sometimes with hundreds of millions or even billions of assets with the bank - receive no external advertising or promotion.

"For example," he wondered, "could a bank not leverage its connections by advertising or promoting a private jet, or a private jet manufacturer? The banks currently say no, but historically banks have extended their product range, at the beginning they just took money in and loaned it out. We must think outside the box and work out how to monetise the data that we have."

He gave other examples. "We know where our clients travel," he explained. "We might see they are paying off a mortgage to a bank in the UK, or Australia. We can open the door to travel opportunities, to overseas real estate, we can work on ideas to monetise, and thereby achieve additional revenues. Digital solutions will help all of us do that, for the betterment of the industry at large."

## Frustrated, not angry

And to conclude, Salem said he had opened the talk by saying he was angry. "But actually of course this is more frustration, actually, not anger," he concluded. "We have the opportunity to become dramatically more digital. We can think about how we operate our businesses. We can work out who our clients are and who they will be, for example the millennials, who are younger, with different needs and different expectations. All we need to do, is say 'how can I truly address these needs' and we will be on the right path." ■