



## **The future of wealth management in Switzerland**

Strategy in times of uncertainty



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# Preface

The Swiss wealth management industry faces challenging times, with flattening or even decreasing profitability levels.

The underlying causes remain and new drivers of change are adding to the mix that will shape the wealth management industry of the future. The industry continues to consolidate and many banks are deciding to exit the business.

Our objective with this study is to help contribute to the Swiss wealth management industry changing path to a growing and prosperous future.

We present a picture of what the industry in Switzerland might look like in 2030, and the implications for banks, and we make recommendations about what private banks should be doing today. We also explain how dealing with an uncertain future will require new ways of strategy definition and execution, and a different organisational mind-set.

This study has been carried out in collaboration with 25 executives of leading Swiss private banks, collectively responsible for over CHF 2tn in assets under management.

We are confident that it provides a valuable guide to Swiss private bank executives about the future and its implications, and how to formulate a winning role in a successful Swiss wealth management industry.

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# Executive summary

Swiss wealth management executives are facing challenging times and the level of uncertainty is reaching new heights; for example, platform businesses seem to be getting ready to enter the market. These challenges and uncertainties create strong headwinds for Swiss private banks. Profitability levels are below expectations in an expanding market, and potential growth opportunities in the traditional offshore business are limited. As a result there is continuing consolidation in the industry. The underlying problems will not be alleviated any time soon: on the contrary, new drivers of change will add further to the mix that shapes the wealth management industry of the future.

To gain a better understanding of the key uncertainties facing wealth management in Switzerland, we conducted a deep dive research into relevant trends, and explored them jointly with 25 executives of leading Swiss private banks, collectively responsible for over CHF2tn in assets under management. Here we report the findings of this work and present key recommendations for Swiss private banks.

Our research identified five key uncertainties: the client interaction model; differentiated value creation by wealth management; control of the value chain; ownership of client relationships; and the ability to monetise and use data.

In the context of these uncertainties, four scenarios for wealth management unfold that describe different yet plausible future worlds:

1. A world of family office ecosystems
2. Open wealth management marketplaces
3. Tightly controlled digital islands
4. A world of prestigious 'club feeling' private banks

For each of these scenarios, this report sets out the implications for clients, incumbents and new competitors as well as potential strategic moves of players.

Dealing with uncertain futures requires acceptance of these circumstances and new ways of strategy definition. Wealth management executives should follow five steps to deal with this uncertainty: develop a shared long-term view; determine the future position; stress test the strategic choices; select focus initiatives for the near-term; and create momentum.

Irrespective of their long-term view and future position, executives should adopt five recommendations now to prepare for the future: develop strategic discipline; learn to partner in ecosystems; focus relentlessly on client experience; empower relationship managers; and increase organisational adaptability.

These actions will result in organisations that are much more nimble and able to deal with the emerging world of the future and take a proactive approach to shaping the new face of wealth management in Switzerland.

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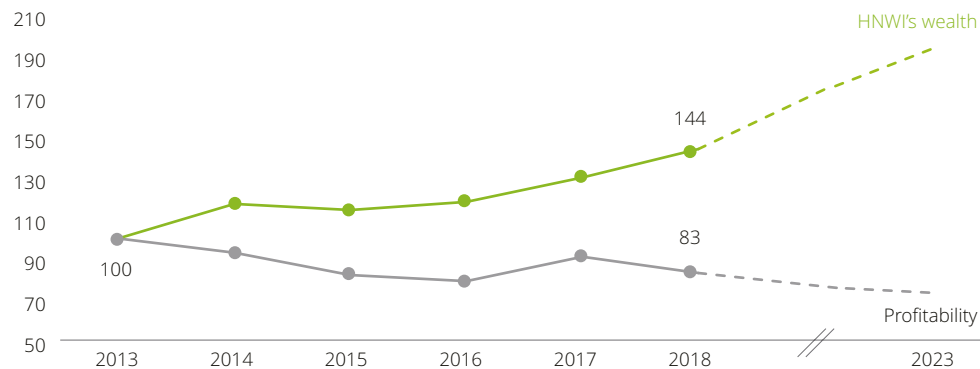


# Wealth management at a crossroads

Swiss wealth management executives face a number of challenges and need to take decisions today in anticipation of an uncertain future. The challenges might not be new. Yet the level of uncertainty has reached new heights, and the shift in wealth management has already made its mark, as manifested in the weak performance of many Swiss financial institutions.

The profitability of Swiss banks has not kept up with the growing market potential. While the wealth of high net worth individuals globally has increased by 44 percent between 2013 and 2018 and is expected to continue to grow at six to eight percent annually, pre-tax profit margins of Swiss private banks decreased by 17 percent (Figure 1). Due to continuing pressure on revenues and margins, banks should not expect a reversal of this trend without radical cost reduction measures or innovative offerings.

**Figure 1. Profitability of Swiss private banks vs. global wealth**



—●— Indexed HNWI global wealth evolution (>USD1m; 2013 = 100)  
 —●— Indexed average profit margin of Swiss private banks (2013 = 100)

Source: Monitor Deloitte analysis based on Credit Suisse and annual reports

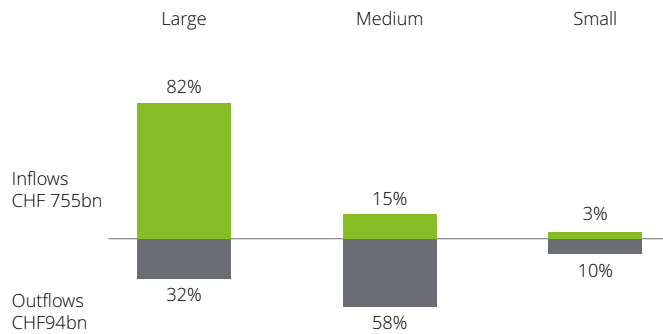
<sup>1</sup>The analysis in this chapter is based on all Swiss banks active in wealth management excluding cantonal and Raiffeisen banks for which data for referenced years was publicly available.

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Small and medium-size players have been struggling the most to adjust to the new environment. Large players were able to capture 82 percent of all net new money flows between 2013 and 2018 compared to 15 and three percent respectively for medium-size and small banks. In contrast, medium-size and small banks together experienced 68 percent of outflows in the same period (Figure 3). Overall the private banks in our sample generated positive net new money flows of CHF755bn and negative flows of CHF94bn over the period.

**Figure 2. Allocation of money in-/outflows per bank size over 2013-2018**



Source: Monitor Deloitte analysis based on annual reports



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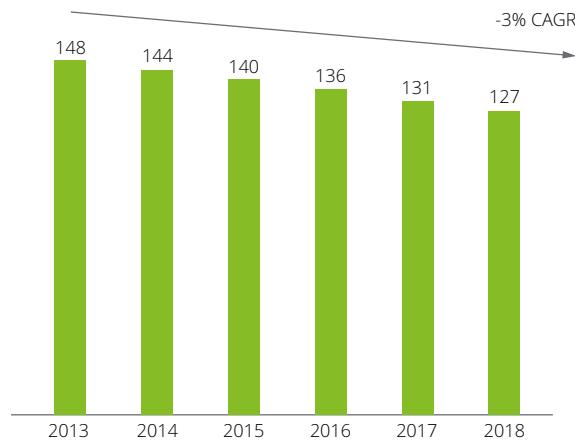
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The challenging industry dynamics have resulted in an active M&A market and industry consolidation has re-shaped the competitive landscape. The consolidation is mainly driven by foreign-owned banks exiting the market as non-core to their business, and smaller banks looking to merge to gain scale.

Recent examples include the acquisition of Notenstein La Roche Private Bank by Vontobel, the merger of Banque Heritage and Sallfort Privatbank, and the sale of Bank Hapoalim's Swiss and Luxembourg businesses to Bank J. Safra Sarasin. The ongoing consolidation of the industry can be demonstrated by looking at Swiss banks with a large wealth management business: these decreased in number from 148 in 2013 to 127 in 2018, a three percent reduction per year as a result of mergers, acquisitions and business closures.

**Figure 3. Number of banks registered in Switzerland with wealth management services**



Source: Monitor Deloitte analysis based on Swiss National Bank



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Several factors have contributed to the current challenges – and they are not expected to go away soon. As a consequence of regulatory initiatives since the financial crisis, private banks have faced increasing compliance costs as well as fee erosion due to increased transparency, the shift to passive investments and low interest rates, all aggravated by changing client preferences such as a trend to redomicile assets to onshore offerings. Also, non-traditional wealth management players (e.g., asset managers, insurance companies) are able to attract a growing share of young clients who value digital capabilities over brand. Most of these factors are here to stay, questioning the traditional business model of private banks.

Future growth might not come from the same markets as in the past. International wealth management has been facing headwinds for a few years. As a result, the cross-border business of Swiss banks has decreased from 60 to 53 percent of assets under management, and internationally assets booked offshore fell from 7 to 5 percent.

Only six of the largest geographical markets in 2022 are also growth leaders between 2018 and 2022 (see Table 1). Therefore private banks will need to decide whether to focus on large and mature markets or whether to seek growth opportunities in potentially smaller, more volatile and less sophisticated markets.

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| Leaders by growth 2018-2022 |                              | Leaders by size in 2022      |                     |
|-----------------------------|------------------------------|------------------------------|---------------------|
| 1                           | Turkey                       |                              | USA                 |
| 2                           | Romania                      | <b>United Kingdom</b>        |                     |
| 3                           | Others Middle East           |                              | Japan               |
| 4                           | Colombia                     |                              | France              |
| 5                           | <b>United Kingdom</b>        |                              | <b>Canada</b>       |
| 6                           | Israel                       |                              | Germany             |
| 7                           | <b>India</b>                 |                              | <b>China</b>        |
| 8                           | <b>China</b>                 |                              | Others Asia Pacific |
| 9                           | Peru                         |                              | Italy               |
| 10                          | Malaysia                     | <b>Singapore</b>             |                     |
| 11                          | <b>Canada</b>                |                              | Netherlands         |
| 12                          | Mexico                       |                              | Switzerland         |
| 13                          | Chile                        | <b>India</b>                 |                     |
| 14                          | <b>Singapore</b>             |                              | Australia           |
| 15                          | <b>Others Western Europe</b> | <b>Others Western Europe</b> |                     |

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So what should private banks do today to prepare for an uncertain and challenging future? Together with executives from leading private banks in Switzerland we set out to answer this question. We conducted a number of interviews with clients, regulators and banking professionals and discussed the findings with 25 executives responsible for more than CHF2 trillion of assets under management in a series of intense one-day workshops, to identify key uncertainties and construct plausible scenarios of the future. All the scenarios we identified seem relevant and plausible, and it is difficult to predict which one will prevail – it may be a combination of the scenarios that actually materialises. However, the real purpose of developing the scenarios was not to predict a definite future, but rather to suggest what to watch out for as we progress toward 2030, and identify ‘non-regret’ moves to make today.

In the following sections, we summarise the key findings of this research, together with recommendations for private banks.

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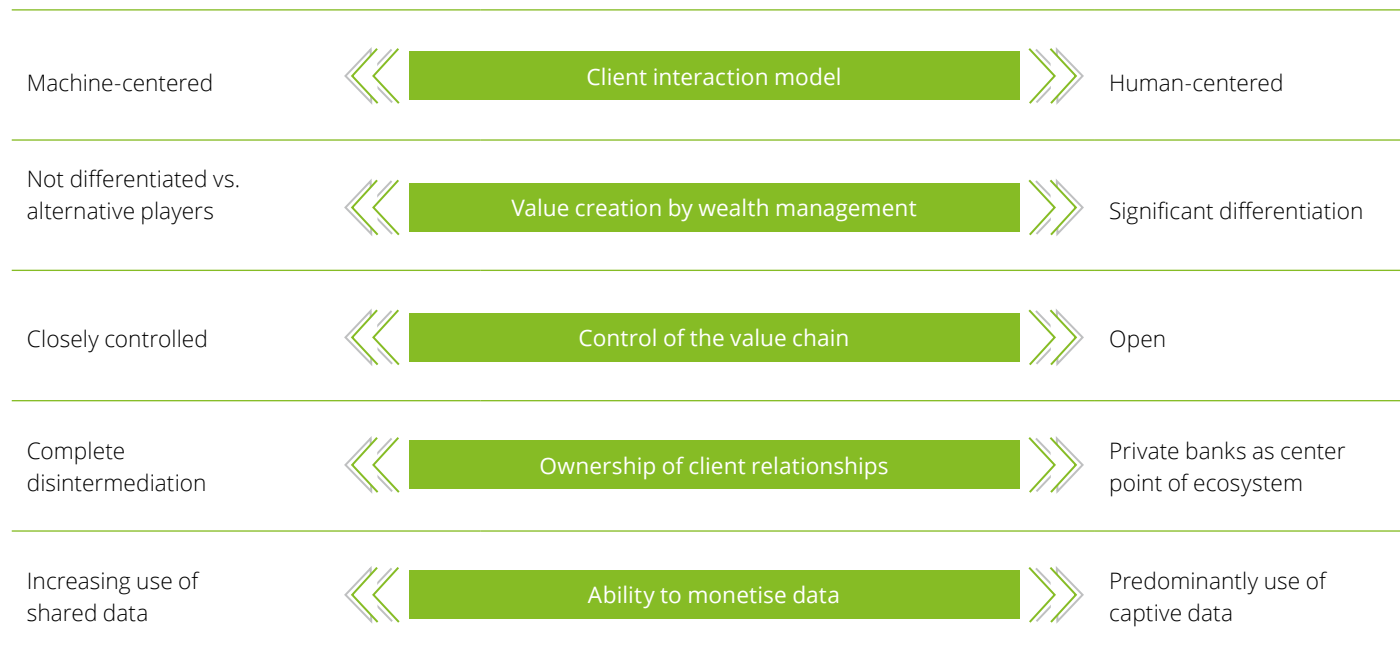
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# The biggest uncertainties

Starting with more than 50 industry drivers, we identified six key clusters of uncertainty – clusters of trends whose realisation remains highly uncertain, but whose impact could be critical for the shape of the wealth management industry in 2030. For each key uncertainty we defined two plausible extreme outcomes.



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### Client interaction model

While new technologies have made possible significant efficiency gains in back office activities, their impact on client interactions remains difficult to predict. While 59 percent of surveyed HNWI's prefer an in-person meeting with their relationship manager to make important investment decisions, 67 percent of millennials say they prefer robo advisory compared to 30 percent of Generation X and baby boomers. Will digital-native millennials adapt their expectations as they accumulate wealth and face more difficult investment decisions, or will they remain comfortable interacting mainly with a machine or via digital channels?

### Value creation by wealth management

Even activist investor par excellence Warren Buffett advises investors to put 90 percent of their wealth in passive instruments on a broad index and ten percent in short-term bonds. Indeed, in order to identify confidently portfolio managers who generate superior returns, we would need to observe their yearly returns for more than 100 years. So, to what extent will clients perceive the services of a private bank as more value-adding than those of other providers such as asset managers, retail banks or challengers? Will they succeed in attracting clients with value-added services beyond investment management (e.g., financial, tax, and estate planning, or complex financing solutions)?

### Control of the value chain

We believe that private banks of the future will be assembled – not built. The uncertainty nonetheless resides in the extent to which private banks are able to control their own 'assemblage': will relationships with external providers remain controlled and managed, or will banks entertain a much more open relationship with their ecosystem? While 58 percent of recently-surveyed Swiss banks aspire to remain orchestrators of their ecosystem, it is clear that only a few (if any) will be able to do so. And with the advent of distributed ledger technologies, to what extent will the traditional banking value chain remain relevant at all?

### Ownership of the client relationships

As ecosystems become more important, the ownership of client relationships may slowly shift away from private banks, with client experience becoming the new loyalty. To make the point: 45 percent of millennials would switch to alternative solutions in search of the best option. And only 38 percent of HNWI clients in Switzerland are very satisfied with their bank. For how long will financial stability, good reputation and the high-touch service by banks' relationship managers give private banks an edge over emerging alternative providers?

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### Ability to monetise data

Banks have recently started to appreciate the value of the client data they possess – yet, what should they do with it? 75 percent of consumers across continents said they are willing to share (sensitive) data in exchange for products or services they value and a brand they trust. Indeed, the majority of surveyed banks will leverage client data to enhance their products and services. However, they are reluctant to exchange data with third parties even if this would enable them to personalise services further. To what extent and how quickly this might change depends on the willingness of wealth management clients to grant access to their personal data, and the ability of ecosystem players to protect privacy. Will privacy and security concerns prevail over greater convenience?

### Outlook

While the wealth management executives in our workshops identified a number of uncertainties that might significantly impact wealth management in Switzerland, they were also optimistic that private banks remain relevant to their core clients by focusing on what they really need. In this regard, identifying the uncertainties (and the certainties) is a first step towards developing a future-proof business. By combining these uncertainties and exploring their joint effect, different plausible scenarios of the future can be constructed. In the following section we describe four of them.



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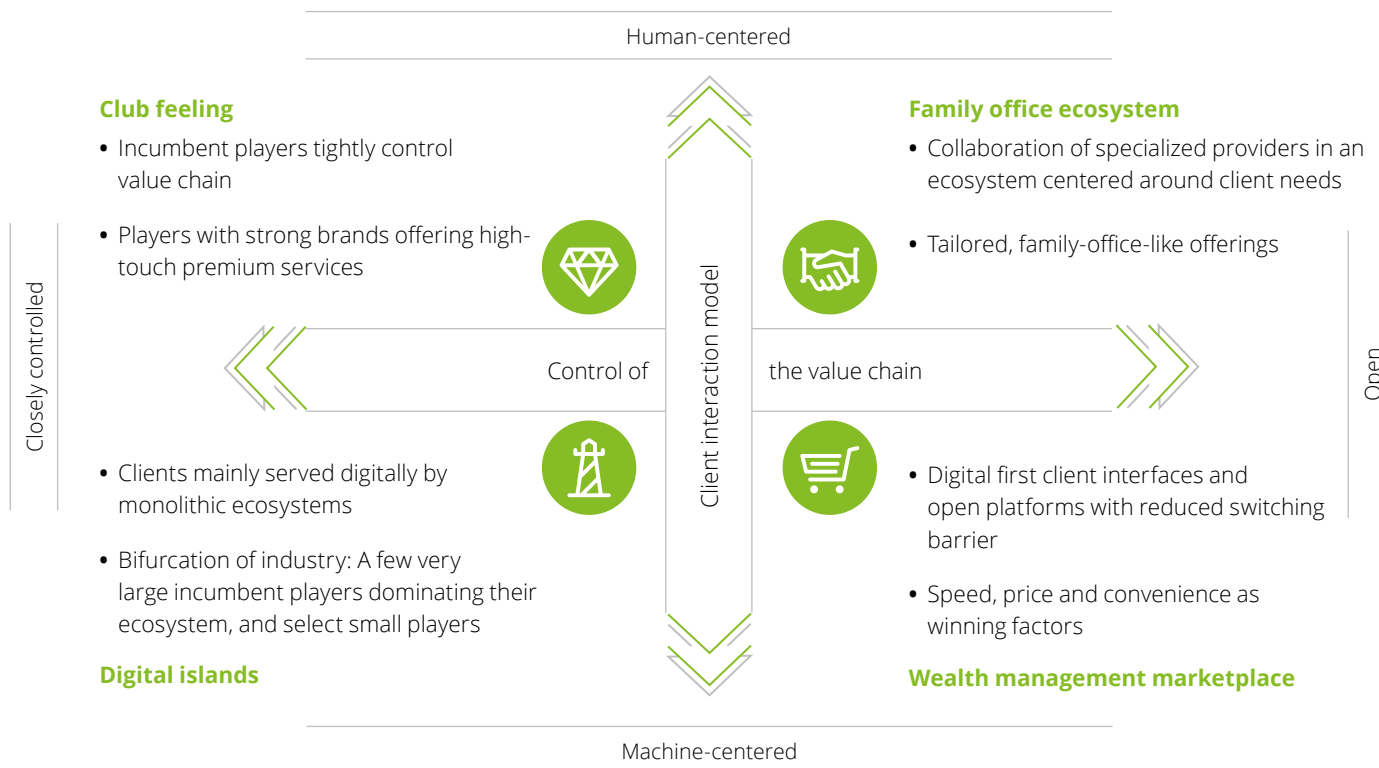
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# Scenarios for wealth management in 2030

Jointly with the executives we chose the uncertainties with the largest impact and least correlation as the basis for exploring the future of wealth management in 2030: control of the value chain, and the client interaction model. Given that each key uncertainty could have two extreme outcomes, combining these extremes leads to the definition of four scenarios. In developing the narrative of each scenario, we did not ignore the remaining uncertainties, but factored them into our analysis.



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## Family office ecosystem

### Description

Open architecture simplifies collaboration and enables private banks to provide their clients with the best product experts, financial planners and tax experts from within their internal and external networks. Basic banking services, including custody, become a low-cost commodity that is sourced from the most cost-efficient provider. Private banks exit parts of the value chain and focus on high-quality tailored advice, leveraging strong networks of internal and external experts. The competition for differentiation leads to family-office-like offerings, even for lower value clients. While clients are willing to pay for high-value, human-centred and holistic advice, client loyalty erodes if service quality expectations are not met.

### What it means for...

#### ...clients:

- Highly relevant and individual solutions for everyone
- Premium fees for high quality services

#### ...private banks:

- Re-invention of business models
- Focus on specific parts of the value chain
- Investments in connectivity and collaboration

#### ...challengers:

- Entry opportunity for lower-end “family offices” and intermediary type business models
- Market entry by asset managers as suppliers
- Competition for highly skilled wealth management talent

### Implications

Only players that master the ecosystem (either as trusted advisor, orchestrator, niche producer or infrastructure provider) will succeed in this scenario. The client interface will be won by those who have the deepest understanding of client needs (across all wealth bands and life circumstances) beyond investment management. Value is generated by joint efforts of specialist providers to deliver solutions that fit. Seamless digital and ‘offline’ integration of a broad range of services will be a key differentiator.

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## Wealth management marketplace

### Description

Digital interfaces and open platforms enable clients to choose their wealth management services from various suppliers according to their specific needs and preferences, with very low switching costs. Excellent customer experience as well as pricing and performance of digital services are the key differentiating factors in this scenario, and many digital-native players such as BigTechs successfully gain market share. Successful private banks re-invent themselves as modular integrators of services to reduce complexity for their clients, relying on services offered by other participants in the ecosystem.

### What it means for...

#### ...clients:

- Low cost, low human interaction
- Large variety of outstanding digital service offerings to choose from
- Low switching costs

#### ...private banks:

- Loss of control over clients and value chain
- State-of-the-art digital client experience as the key success factor
- Integration into (digital) ecosystems critical for meaningful service offering

#### ...challengers:

- Low market entry barriers allow for easy access
- Opportunity for BigTechs to succeed in the wealth management market by creating scalable platforms
- Short life for innovations

### Implications

The open environment in this scenario allows new technologically advanced players to enter the market successfully if they raise client experience to new heights. A few “marketplace” platforms will emerge that require incumbents to collaborate more closely with external parties via APIs and find their place in the resulting (digital) ecosystem(s). As client interactions take place increasingly via digital channels and are often automated, fewer but more technologically-savvy client advisors are required. Success in 2030 will also be determined by players’ ability to innovate continually to improve the convenience and speed of their services. This is also the only scenario where price leadership constitutes a true differentiating factor.

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## Digital islands

### Description

Virtual interfaces are the main channel for client interactions and the delivery of standardised, yet sophisticated, products and services. Private banks are able to respond to new competition from BigTechs due to their clients' lack of trust in tech players, in particular with respect to data sharing. The industry consolidates progressively around the largest and financially strongest incumbents that invested heavily in technology early on. Superior digital client experience, scale and cost efficiency are the primary factors for success. This leads to a small number of closed ecosystems dominated by private banking giants, with a number of niche players serving one or several of them as specialist providers. Usually, clients stick with one ecosystem, due to high switching costs.

### What it means for...

#### ...clients:

- Limited human contact with providers
- Satisfied by offering and security of incumbents instead of choice from alternative players
- Stuck with one ecosystem due to limited inter-operability

#### ...private banks:

- Largest, financially strong and most technology-savvy players dominate
- Efficiency gains necessary to finance enormous investments in technology, platforms and innovation
- Medium-sized players without state-of-the-art digital platform or top-notch products struggle

#### ...challengers:

- Relatively high barriers to enter the market
- Existing customer base required to build wealth management offering on top (e.g., retail banks)

### Implications

In this world, large and financially sound incumbents develop their own monolithic ecosystems based on tightly controlled, integrated platforms. Their key activities evolve around offering a superior client interface and guaranteeing the quality of services and data protection. Services are either provided by themselves or by carefully selected ecosystem participants. Prudential regulations, which aim at preventing the creation of institutions that are too big to fail, and regional protectionism allow several ecosystems to co-exist. In this scenario, large incumbents need to invest heavily in technology to become attractive platforms and not all of them will succeed. Smaller or medium-sized players focus on specific products and services and maintain a relationship with one or several of the emerging ecosystems.

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## Club feeling

### Description

Incumbent players exercise tight control over the entire value chain, and interactions with clients are human-centred. Clients look for high-quality offerings and superior services for which they are ready to pay a premium. Some incumbents establish themselves as leading players that leverage their strong brand and differentiated services to remain ahead of the competition. Similar to a members-only club, these players retain clients by offering unique experiences and a feeling of exclusivity. Top players command margins that can be higher than today, but the industry also faces limited opportunities for cost reduction compared to other scenarios, due to limited inter-operability across the value chain and the human-centred service model. This scenario is vulnerable to shifting client preferences and the emergence of disruptive competitors.

### What it means for...

#### ...clients:

- Highly personal service
- Premium fees for services from trusted and prestigious brands

#### ...private banks:

- Brand and reputation is everything
- High cost base to provide personalized offering

#### ...challengers:

- High barriers to entry
- Exclusive luxury brand to build on as a prerequisite
- Hiring of talented relationship managers from incumbents

### Implications

In this scenario, mainly established incumbents inheriting a strong brand and able to heavily invest in a clear USP will survive. As a result, newcomers – probably lacking one or both of these characteristics – face difficulties entering the market. Disrupting players such as FinTechs or BigTechs are not a real threat: for incumbents, it is all about standing out from the current crowd. For private banks today, preparing for a “Club Feeling” world of tomorrow would require building a premium brand and investing in client retention via service quality, a differentiated offering and unique client experiences. Players with a lack of focus will suffer from a high cost base.

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# Creating a future-proof strategy

Expressing uncertainty and scenarios about the future is only an initial step towards defining a future-proof strategy. A process leading to the development of a robust strategy in such an environment looks as follows:

1. synthesise a shared view of the long-term direction of wealth management;
2. determine what the business needs to look like in the future in order to succeed;
3. stress test where to play and how-to-win choices;
4. identify two to three initiatives over the next six to twelve months that have the greatest potential to accelerate progress toward that long-term destination; and
5. ensure there is a critical mass of resources for each of the key initiatives and that clear measures of success are established.

organisation. This view will become the basis for the remaining strategy development process, but it should not be too detailed – ideally, it should be just sufficient to help all stakeholders identify a clear sense of direction of the anticipated evolution of wealth management.

## Case study

A mid-sized, international private bank with a diversified business model was seeking to clarify its strategic long-term direction. In order to widen their horizon, the executive team initiated a learning journey in which they and key employees were exposed to trends and new technologies and were challenged to re-think their business model. Scenarios were used to express the uncertainty and to open up minds in seeking answers. Also, a digital transformation leader from an unrelated industry presented how a seemingly non-digital industry can be threatened by digital disruption. Once scenarios and their implications were sufficiently explored, the team recognised the key beliefs expressed in their 'official future' scenario. For communication purposes, the bank created a video to engage with a wider employee audience, to prepare them for change.

This strategy process does not make the usual three to five year strategic planning process necessarily obsolete but may serve as validation and supplement.

## Step 1: Synthesise a shared view of the long-term direction of wealth management

The purpose of step 1 in the development of a future-proof strategy is to create awareness of the rapid changes facing private banks and to enable executives to think about alternative futures. It is important in this step to take an outside-in perspective, by starting with an understanding of changes happening to customers, other stakeholders and the business ecosystem. Identifying unmet needs, exploring uncertainties through scenario analysis and studying other industries are helpful at this stage. Once possibilities have been explored, executives should identify the most likely scenario in their view and in the context of the

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## Step 2: Determine what the business needs to look like in the future in order to succeed

Building on key beliefs formed in step 1, implications for the private bank's own business are explored in step 2. How might the business generate value for its clients and stakeholders in the future? Which parts of the profit formula will change, and in what way? The outcome is a concise description of possible strategic choices, in particular with respect to where to play (markets, clients, etc.) and how to win (competitive advantage, value proposition, etc.).

A global asset manager set out to define its approach to direct-to-consumer distribution of its products by considering different future scenarios, driven in one dimension by the role of BigTechs in the asset management value chain, and in another dimension by the adoption rate of digital platforms by investors. In a one-day workshop starting with scenarios of the future, a small team of executives formulated an initial set of strategic options. Described on a single page and complemented by a list of critical underlying assumptions for their success, these strategic options were then fed into a more detailed strategy process aimed at comparing different options and validating underlying assumptions.

## Step 3: Stress test where to play and how-to-win choices

To render a strategy more 'future-proof', it should be stress-tested against the other scenarios defined in step 1. A number of questions can be asked to test the strategic option. Does the ambition remain meaningful in this new scenario? Are chosen target clients and markets addressable in the new scenario? Do strategic differentiators remain a competitive advantage?

Depending on the answers, the strategic option can be improved to become more viable and less dependent on uncertain assumptions. In addition, it is recommended that a distinction is made between core strategies and contingent strategies. Core strategies are those that are valid in any of the scenarios. Contingent strategies on the other hand might be viable only in some scenarios and not in others. Contingent strategies should be

implemented once greater clarity exists about how the future is evolving. On completion of step 3, the strategic options are more future-proof.

One of the key uncertainties that a private bank identified with respect to wealth management in 2030 related to the willingness of clients to try out new providers or new products, as opposed to relying exclusively on traditional wealth management brands. Also, the project team discussed the level of empowerment of clients. Would they select their providers themselves according to their needs, or rely on their primary bank to coordinate all the services? The executive team concluded that irrespective of the future scenario, they had to prepare their organisation to partner more flexibly with third-party providers. This would require a change in the bank's mind-set and to become more collaborative. In addition, the executive team identified a need to streamline the bank's due diligence processes to on-board new partners. In the longer term, the private bank would need to increase the connectivity of its systems and modularise its business and operating model. By making the necessary adjustments to its current strategy, the private bank increased its strategic flexibility.

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#### Step 4: Identify two to three initiatives over the next six to twelve months that have the greatest potential to accelerate progress toward that long-term destination

Having explored possible futures and their implications for its business, the zoom-in on the initiatives a private bank should prioritise today is possibly the hardest part in the strategic decision-making process. By creating an implementation bundle consisting of all the initiatives that make sense, there is a risk that none of them receives the attention it deserves. Instead, a clear focus on just two or three key initiatives that really matter for each six to twelve month period may have a bigger impact and drive the organisation to greater success. Of course, some initiatives will take much longer than twelve months, in which case they should be broken down into achievable milestones for each six to twelve month period. Often, the prioritised initiatives will be a balanced selection of three types of initiatives:

1. strengthen the core business to fund the transformation;
2. drive the transformation from the edge by building an adjacent business with the potential to become the core business in the future; and
3. stop non-core activities that distract the business from investing into 1) and 2).

A Swiss-based, international private bank and asset manager decided to focus its efforts on two key areas: improving the employee experience to strengthen the core and building a business ecosystem to explore new offerings in adjacent businesses. Employee experience was determined to drive satisfaction and productivity which would lead to greater client orientation and more client touchpoints thanks to freed-up relationship manager time. Eventually that would lead to greater client satisfaction. And acknowledging the trend to more needs-based offerings and blurring of traditional industry boundaries, the bank decided to invest into offerings beyond their core products and services. Business ecosystem design was identified as a core capability to be mastered in the future so the bank decided to define a framework for partnering with third parties and to start experimenting with it in selected areas.

#### Step 5: Ensure there is a critical mass of resources for each of the key initiatives and that clear measures of success are established

Once priority initiatives have been defined, successful implementation depends on the resources allocated to them. Too often, either insufficient resources are allocated to individual initiatives or the same resources have to divide their time between too many initiatives, in addition to their operational duties. Mixed initiative teams with dedicated project resources and supported by their business leaders often produce the best results. In cases where an initiative might impact the bank's core business, the team leadership should be independent and have dedicated project staff, with an executive acting as sponsor.

In addition, efforts must be guided by carefully selected measures of success. While traditional initiatives are assessed by measures such as return on investment, initiatives aimed at creating new businesses might be measured against unconventional metrics such as numbers of users, leads and new features.

A private bank had to take decisions about how to drive forward its digital transformation. In line with its high-touch services and the recognition of the value of a holistic view, the bank focused initially on eliminating all silos between internal teams by ensuring better access to data. It then worked gradually on improving the digital experience for its external clients. Following a clear and overarching vision, taking on the challenges one by one, and always focusing on client satisfaction, the bank successfully increased its digital maturity, supporting high growth.

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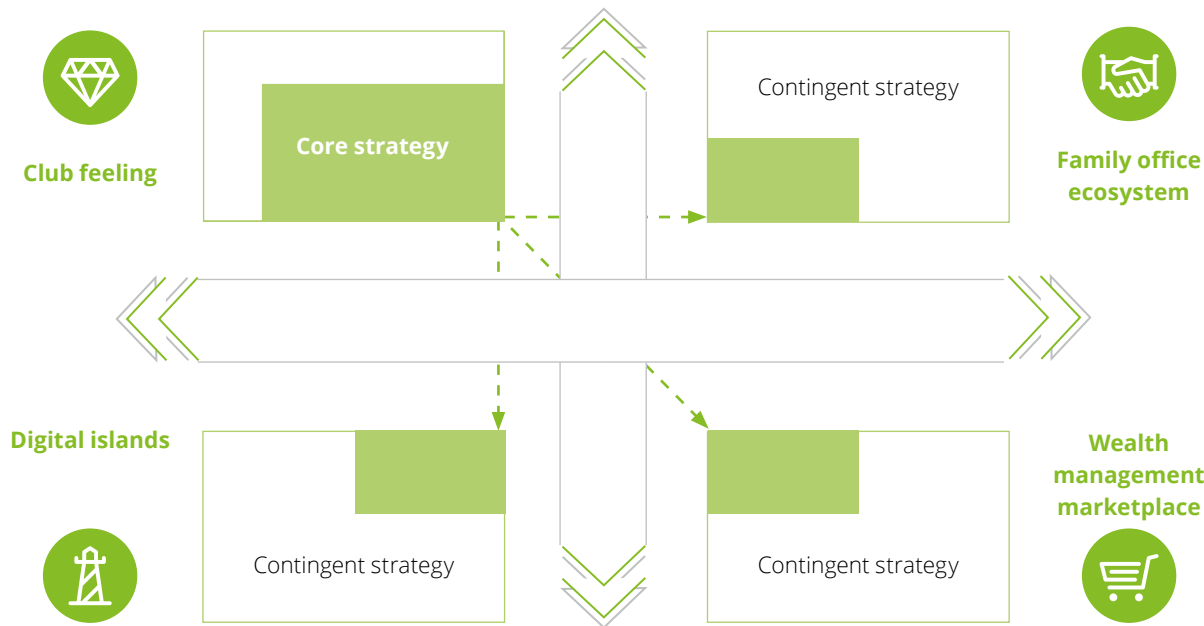
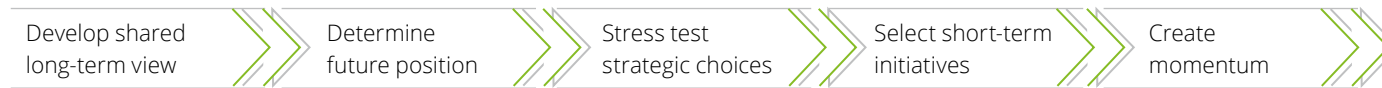
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### Advantages of having a future-proof strategy

Winning organisations succeed by creating shared narratives about their visions for the future in order to drive internal change. At the same time, they constantly monitor developments in their business environment to remain flexible in the event that a different future materialises. Successful private banks therefore define their core strategy based on their key beliefs, refine them through stress testing against alternative scenarios, and identify contingent strategies they could implement once there is clarity about the direction in which the industry is heading.

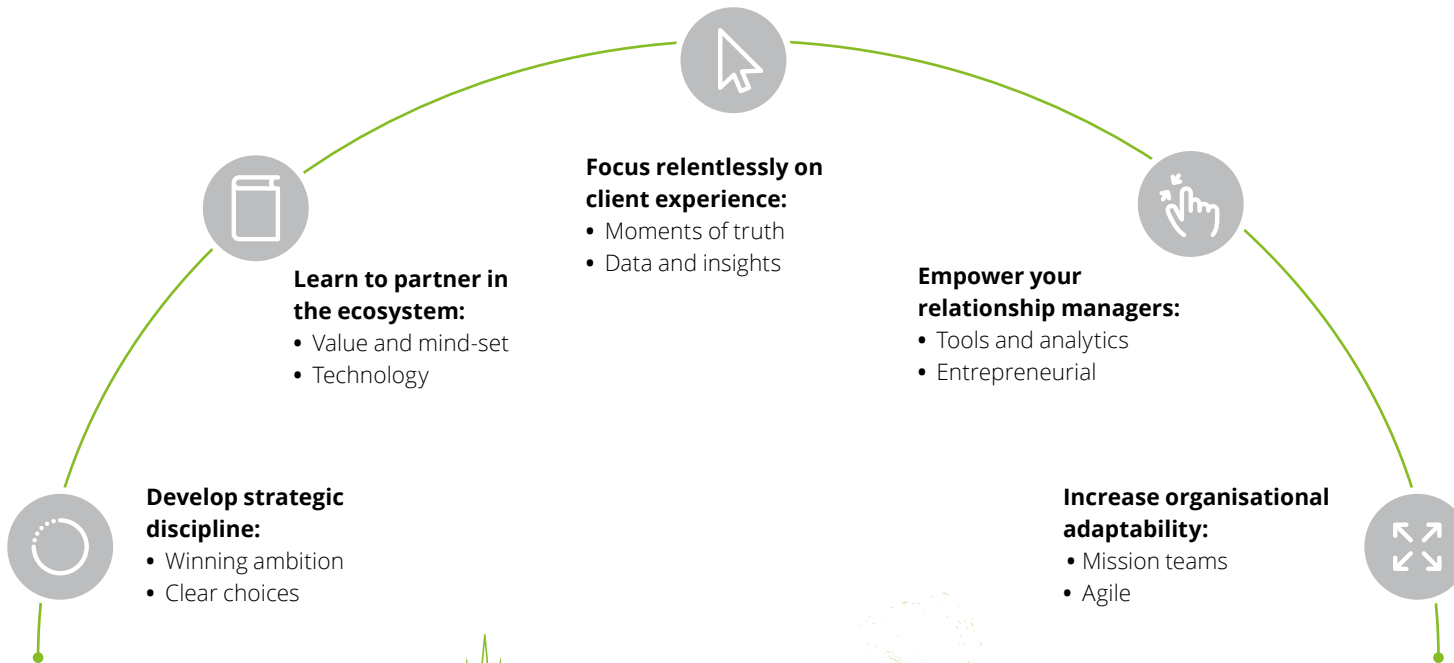


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# Five things private banks should do today

While specific actions depend heavily on the current positioning of a private bank, its ambition and key beliefs, we have identified five action fields that in our opinion every private bank should consider today.



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### 1. Develop strategic discipline

Today, many private banks serve different types of clients, e.g., inherited wealth and entrepreneurs, family offices and external asset managers, and different target markets. In contrast, some of the most successful players have defined their niche and achieved impressive returns for shareholders and clients by focusing on select markets or client segments defined by needs – not assets. Thereby, these private banks exhibit a strategic discipline by sticking to their choices and building capabilities to support them. They manage to avoid the temptation to be everything for everyone. To succeed in this way, private banks should seek answers to the following questions: What should be our purpose and ambition in the business of wealth management? What distinctive capabilities could we leverage to become the best – even if this is not in our core business today? How could we use these capabilities to create a unique value proposition for our selected market?

These choices should be made according to the bank's key beliefs about how the future will evolve. Scenarios such as those described in this report may provide a starting point for making these choices.

### 2. Learn to partner in the ecosystem

Digital technologies are creating an ever-growing number of options for creating value for clients, and no single firm can cover all of them. So every private bank needs to determine what value it can deliver on its own, what value it can deliver by cooperating with ecosystem partners, and what value it should choose not to provide but leave to others. As opportunities emerge, decision-making should not be static and collaborations with ecosystem partners should evolve. Working within ecosystems is different from sourcing services along the value chain: it involves dealing with partners on an equal footing and identifying win-win business models. Technologies such as API-based platforms for increasing connectivity, or cloud services to provide scalability, are enablers of efficient collaboration.

The choice of ecosystem partners for private banks depends on the core needs of clients: these might include more obvious examples such as insurance companies, asset managers and fund platforms, but also less obvious examples such as hospitals, luxury stores,

supercar dealers and hospitality services. Importantly, private banks should accept that in many cases being a niche player and joining an ecosystem is a more realistic (and less risky) option than becoming the orchestrator of an ecosystem.

However, irrespective of which ecosystems a private bank chooses to join and in which role, private banks need to start learning today how to act within ecosystems.

### 3. Focus relentlessly on client experience

Many private banks have started to define client journeys to bring the client experience to new levels by focusing on the delivery of exceptional service in moments of truth. Human-centred design of products and services can make a huge difference from a client perspective, without necessarily incurring additional costs. The starting point, however, is a deep understanding of clients and their needs.

The needs of wealth management clients can differ hugely, depending on age, occupation, family situation, domicile, available time, type of assets, and so on. But do private banks currently make sufficient use of all available information to give advice to their clients' specific needs? The key to this type of deep understanding is the availability, accessibility, sharing and validity of (internal and external) data – maintained and analysed in full accordance with data protection laws.

### 4. Empower your relationship managers

In response to new technology, changing client expectations and increasing pressure on margins, the relationship manager of the future will need to be more versatile and proactive than today. We believe that the future relationship manager should be able to serve a community of clients in the digital and the non-digital world and to build a strong individual brand. Private banks should empower their relationship managers by providing integrated tools, analytical insights and streamlined ways of working which reduce their administrative burden. One of the challenges for private banks is how to foster an entrepreneurial mind-set among its relationship managers while maintaining rigorous cost- and risk-awareness.

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### 5. Increase organisational adaptability

In an age of uncertainty and rapid change, traditional management systems, structures and talent strategies tend to become outdated. Many organisations have therefore started to become more adaptable by taking action on five different layers: the ecosystem, the organisation, the team, the leader and the individual. Some banks for example have started to organise their teams according to aspects of the customer experience (e.g., “I can easily reconcile my plan for retiring in financial comfort”) across functional silos and including both internal and external staff. Experience shows that these changes are best implemented incrementally. For example, a private bank could introduce a mission team to serve a specific sub-set of clients, such as entrepreneurs. This multi-disciplinary team might comprise relationship managers, investment specialists, corporate financing experts, external tax experts, operations specialists, and compliance experts. To increase the speed of delivering value to the client, these teams might employ agile methods based on iterative development, distributed accountability and accepted standard project procedures.

#### Now what?

These five recommendations form a basis for private banks to prepare themselves for the future. But it is not necessary for private banks to implement all of them together. Nor does it mean that private banks should ignore business as usual. Private banks need to keep the core running as it is funding any investments into the future. They should move forward one small step at a time, gaining experience with new ways of working and developing greater clarity about their own business model. This should prevent the danger of trying to achieve too much too quickly, but also reduce risk of stagnation in the business from denying the need for any change.

“We always **overestimate** the **change** that will occur in the next two years and **underestimate** the **change** that will occur in the next ten. Don't let yourself be lulled into inaction.” – Bill Gates

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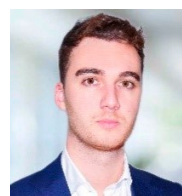
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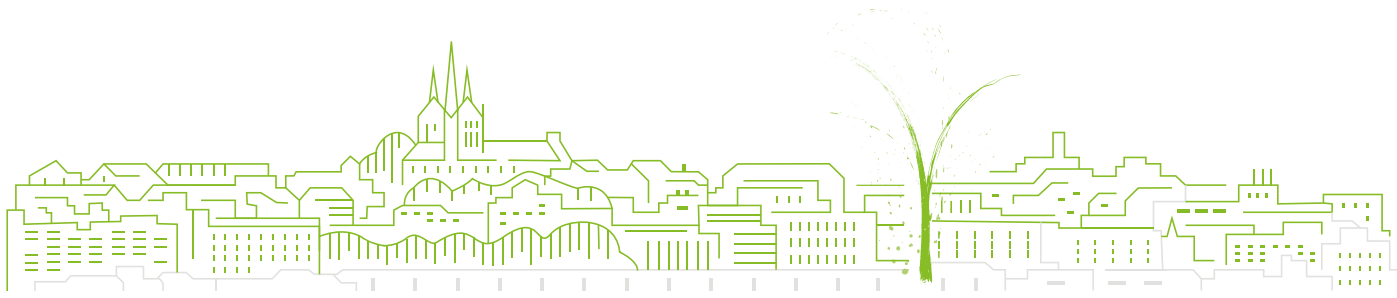
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