

A Wealth of Opportunity for Banks

BY JAMES M. NECKOPULOS

Though the past year has been one of the most difficult in the financial services industry, this may be the best time for banks to expand their wealth management business.

For most banks, a new or growing source of fee income is particularly welcome these days. Wealth management is a rich opportunity to increase income, and many banks have excellent wealth management prospects among existing customers, particularly businesses.

Banks are well positioned to make a big push into the wealth management business in the current economic environment. As baby boomers retire or approach retirement, they become good prospects for wealth management services. Also, this demographic includes many business owners or partners of firms that are selling their businesses or need to improve their liquidity.

The key to capitalizing on these opportunities is identifying solid prospects — especially among those people or business that already have a relationship with your company. Many customers need wealth management services much earlier than banks realize, and many of these people need both business and personal banking services.

It is important to recognize where customers are in their life cycle — both in terms of business and personal needs — and to develop a relationship with them with an eye toward helping them and their beneficiaries manage or build wealth.

Since mid-2008 the financial services markets have been in chaos, and both institutional and individual investors have taken a beating. Many consumers are rethinking their financial planning strategies and relationships with financial advisers. And the changed financial services landscape is providing another reason for longtime customers to

seek new and trusted advisers.

Banks with wealth management capabilities are getting inquiries from brokerage and investment customers who have lost faith in previous providers and are interested in replacing former investment providers with banks, either because banks are perceived to offer more conservative investments — and are backed by the Federal Deposit Insurance Corp. — or because they have more faith in either a banker or a bank that they know.

Unfortunately, many banks are failing to take advantage of wealth management opportunities. The reasons they are missing out include a lack of information about their customers, insufficient training to identify customers' needs earlier and a misalignment of incentives with customer life-cycle needs.

There are three key enablers that will help banks capitalize on the wealth management opportunity: master data management, team selling and an aligned compensation plan.

Master data management is a business strategy requiring orchestration of people, processes, policies and technologies to control the quality of "master" data across an enterprise.

MDM is critical for key business information needs such as financial planning and analysis — as well as for creating a true competency center with formal data governance.

A well-built MDM program helps ensure data harmonization, consistency of work flow and related data rules, and data integration. It also constitutes the means by which the information you have about your customers can be used to solidify your relationships with them and to tailor services for them.

As banks look to convert customers into wealth man-

agement clients or acquire brokerage and investment management firms with cross-sell potential, a strong MDM program is essential.

Executing a team selling program can be a tricky undertaking for a banking company. Relationship managers, regardless of their business unit, must be comfortable working together for a client's best interest.

Though this starts with introductions (warm ones, ideally) between the various business units, it requires an understanding of a client's personal or business life cycle and then the ability to work with multiple product and service providers to develop a plan of action.

Prospective wealth management customers are looking for a trusted adviser to act as a guide, and they will expect this level of enterprisewide service.

An aligned compensation plan may be the most important of these three enablers. Few banks with banking and wealth management capabilities do a good job of reinforcing the behaviors that optimize their ability to meet the client's need and their own bottom line.

An MDM program can provide information about performance metrics on which compensation plans can be based, and team selling can encourage proper planning and cooperation, but it must be reinforced through appropriate compensation plans.

The most successful plans recognize the contributions of all the team members and reward them accordingly. This often results in "double counting" to acknowledge the efforts of several business units, but in the end a properly aligned compensation plan allows banks to broaden and deepen customer relationships.

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