

Client Reporting – A strategic differentiator in a competitive private banking environment.

Getting the client's attention in Asia is becoming increasingly difficult

By 2016, Asia (excluding Japan) is expected to create around USD 7 trillion in net new millionaire wealth; leapfrogging Western Europe to have the second largest concentration of millionaires in the world¹. However, despite attractive growth in assets under management (AuM), revenue growth for Private Banks in the region remains subdued.

Particularly in Asia, Private Banks are facing pressures to adapt to a progressively complex operating environment. With an increasing number of new entrants into the Private Banking industry and the tendency for Asian High Net Worth Individuals (HNWIs) to multi-bank, the competition among Private Banks for the attention of HNWIs is intensifying.

Today's HNWIs have wider access and exposure to different financial offerings and IT services; consequently, this heightens expectations of their Private Banks. For Private Banks to remain relevant and competitive in Asia, they need to be able to differentiate themselves from their competitors to capture their clients' attention and more importantly, maximize these client engagements to drive top-line revenue.

Key challenges faced by Private Banks

1. Differentiating service and product offerings in a growing, competitive but largely homogenous Private Banking industry
2. Adapting and expanding value proposition and delivery models to serve the specific needs of a new generation of finance and IT savvy clients
3. Creating and maximizing client engagements due to the intensifying competition within the Private Banking industry

Client Reporting: A key out-of-bank touchpoint that is largely ignored

Client reporting is a fundamental service that is highly valued by Private Banking clients as it helps clients keep track of their portfolios. It is also often the only out-of-bank touchpoint that provides consistent interaction between the client and the bank besides the Client Advisor's periodic follow-ups.

However, most Private Banks are not fully utilising this channel for client engagement. Private Banks' client reports are often geared towards status and transactional reporting and are functionally regarded for regulatory

¹ McKinsey Global Private Banking Survey 2013

purposes only. As a result, minimal investments and strategic thought have been put into client reporting functions.

On the other hand, Private Bank clients are becoming more sophisticated; increasingly, clients are demanding for more robust reporting information and varied client reporting delivery channels. Consequently, banks that are under invested in this area are often faced with numerous complaints and requests for better reporting information.

To bridge the reporting gaps, some Private Banks pass on the responsibility to its front-line staff. These stop-gap measures are often not effective in the long run as issues such as erroneous reporting (e.g. errors in manual calculation) and non-compliance reporting standards (e.g. using differing performance metrics) may arise. Such non-revenue generating activities contribute additional overheads for the Client Advisors and their assistants.

Poor handling of client reporting can create a dissonance between the client expectations of the Private Bank and the Private Bank's offering. As a result, this may reduce the client's satisfaction and confidence in the Private Bank. In a competitive buyers' market, clients may then choose to align themselves with another service provider that they perceive to be more competent.

Client Reporting as a Strategic Differentiator

As a key out-of-bank touchpoint, client reports provide a presence beyond the branch. It serves as an impactful calling card that can demonstrate and impress upon clients their Private Bank's advisory capabilities and strengths.

Having a quality client reporting can bring about 4 potential benefits.

1. Improved Client Experience

By improving the quality of information, functionality and presentation of client reports, the client experience will be enhanced as clients will have a better understanding and appreciation of their portfolio's performance. This helps to build the clients' confidence and satisfaction with the bank and drive usage of the client reporting solution.

2. Revenue Protection and Generation

Clients in Private Banks who have minimized reporting gaps will be less inclined to move their assets to another bank. Instead, such clients, particularly those in a multi-bank relationship, might choose to consolidate assets with a Private Bank with superior reporting capabilities, especially if the other competing banks have only average advisory capabilities.

Furthermore, the functionality of client reports can be extended to generate sales opportunities. By staging strategic information and prompts within the client reports, banks can draw the clients' attention and awareness of the opportunities or deficiencies in their portfolios. This encourages clients to be more proactive in managing their portfolio which accordingly increase the sales interaction between the client and the bank.

As demand for information increases among the clients, so does the value of information. Private Banks can capitalize on this demand by "productizing" client reports by developing payable premium reporting content. Private Banks can leverage on this capability as a means to generate additional revenue or as an incentive to higher segment clients at no additional cost to the bank.

3. Increased Operational Efficiency

Developing an extensive client reporting capability will also reduce the need for manual reporting and calculation of portfolio positions or performance by the front line staff. This will remove non-revenue generating activities from the Client Advisors, freeing up their time to better focus on sales activities. In addition, the removal of manual reporting prevents any unwinding costs arising from transactions made by the clients based on erroneous manual reports.

4. Reduced Reputational Risks

Moreover, the reduction of manual reporting and calculation will allow the bank to gain better control over the quality and consistency of client reports. This enables the bank to deliver a high quality and standardized client experience while reducing the risks of client reporting complaints.

Potential Benefits of Client Reporting	
Improve Client Experience	<ul style="list-style-type: none"> • Increase customer satisfaction through enhanced information, functionality and presentation of the client reports • Increase client interactions through the repeat usage of client reporting services
Generate\Protect Revenue	<ul style="list-style-type: none"> • Promote AuM consolidation through increased client confidence with the Private Bank • Increase sales opportunities by encouraging proactive clients engagements • Generate new revenue streams through “productization” of client reporting information (i.e. creation of chargeable reporting content)
Increase Operational Efficiency	<ul style="list-style-type: none"> • Reduce non-revenue generating activities spent by Client Advisors on generating manual reports and calculations • Reduce unwinding costs arising from clients’ transactions based on erroneous reporting
Reduce Reputational Risks	<ul style="list-style-type: none"> • Improve control over the quality and consistency of client reporting • Reduce errors resulting from manual reports and calculations

Vantage point: Approach to Client Reporting

From Synpulse’s vantage point, Client Reporting is an integral part of the overall advisory process. As such, the role of Client Reporting should not be restricted to strictly providing portfolio data and information but be extended to drive sales engagement between the bank and the client.

To maximize the potential of Client Reporting, Private Banks need to adopt an action-driven approach, by shifting the focus of client reporting from solely providing portfolio data and information to extending its purpose to inspire clients to enquire, understand and ultimately, take action on their portfolios.

An effective action-driven approach is outlined in this 3-Stage Client Reporting Framework. This framework is designed to allow Private Banks to organize client reporting features and functionalities into logical stages that can drive and enable customer behaviour.

The 3 stages of our Client Reporting Framework consist of:

Report: Focuses on providing active monitoring (e.g. trigger-event alerts) and comprehensive reporting (e.g. performance benchmarking) on the clients’ portfolio to raise the clients’ awareness.

e.g. *Risk in Actual Portfolio Composition vs. Model Portfolio Composition*

Explain: Focuses on enriching reporting content with additional information and insights to allow client to better understand weaknesses and opportunities in their portfolios.

e.g. *Highlighting and explaining the deviation in the Risk in Actual Portfolio Composition vs. Model Portfolio Composition and the necessary corrective measure that a client can pursue.*

Act: Focuses on providing necessary transactional and communication capabilities and services to enable the client to act upon the information provided in the earlier stages.

e.g. *Providing clients with options for immediate actions, such as online transaction or inquiry capabilities for their portfolio*

Client Reporting Framework	Client Journey Example	
	Report	<ul style="list-style-type: none"> ▪ Risk Analysis of the portfolio reports a high exposure in a certain market that is going south ▪ An alert is triggered via the bank’s mobile app to inform the client
	Explain	<ul style="list-style-type: none"> ▪ Client reviews the information provided in the Market News and Analysis regarding to this risk exposure ▪ Using Internet Banking, client simulates impact of the portfolio through Portfolio Simulation
	Act	<ul style="list-style-type: none"> ▪ Client uses online chat in Advisory and Service Access to consult the RM ▪ Client takes action and sells holdings online ▪ Client changes alerts

Diagram 1: Client Reporting Framework

It is important to note that the role of the Client Advisors is still important if not integral in the Client Reporting Journey. Client Advisors have to recognize that the client report solution serves as an important out-of-bank sales engagement tool in their arsenal. Client Advisors will find better sales success if they are able to utilize the content and functionality within the client reports to influence and advise their clients on portfolio management and decision making.

Best Practice Approach in developing Client Reporting Solutions

Based on Synpulse’s experience and expertise in helping Global and Regional Private Banks in Europe and Asia develop their Client Reporting solutions, 3 distinct but interlocking parts are identified for successfully implementing a top-notch Client Reporting Solution. The 3 parts are as follows:

Part I: Acquire a keen awareness of the Competition Gaps

Firstly, Private Banks need to understand the competitive gaps in their existing Client Reporting Solutions. Gaps can exist in three main components of Content, Functionality, and Usability. By acquiring domain knowledge about the state of client reporting in the industry, banks can benchmark the bank's offerings in those areas against their top competitors. Banks should consider expanding their understanding to cover Private Banks in the global, regional, institutional and even boutique markets. This will allow the banks to identify and concentrate their investment efforts into specific areas that are lagging or missing from the competitors or gain inspiration for new approaches in client reporting.

Part II: Adopt a clear and structured Action Driven Framework

To effectively approach the solution in a structured and purposeful manner, Private Banks should apply an action driven framework to their adopted client reporting solution. By prescribing to the 3 stages approach as described earlier (*See Diagram 1: Client Reporting Framework*), banks can then better understand how each component and feature of their client reporting solution should be built, and how they should complement and interact with each other. Consequently, this will enable banks to concentrate their efforts onto specific components or features to invest in.

Part III: Act with a proven project management process

Lastly, and most importantly, is to establish a strong project management process. Differences in the usage and approach towards client reporting may differ even among the banks' business stakeholders. Such fundamental differences need to be accurately identified, aligned and documented during the project to ensure that the resulting solution is suitable and well-adopted by the business units and their clients.

Synpulse advocates using an inclusive project management process such as their SPEEDmethod. This ensures that both business and IT stakeholders are aligned in the vision and ownership in investment decision in the client reporting solution. Having a proven methodology and project experience allows banks to carry out their Client Reporting solution in a manner that is timely in deployment, well received by the stakeholders and well documented for project continuity.

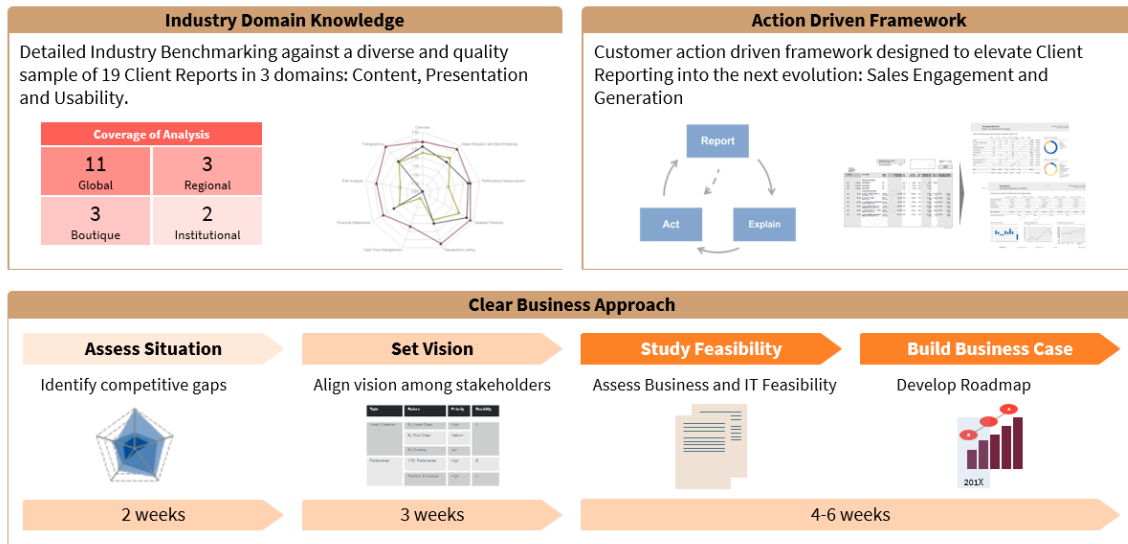


Diagram 2: Synpulse's project approach in developing an effective Client Reporting Solution

Conclusion

As the basic banking services in Private Banks are increasingly commoditized, new differentiation opportunities need to be actively explored in order to attract new clients and retain the current client base. Private Banks need to be acutely aware of and be able to match up to their competitors' offerings. In order to be competitive, Private Banks have to maximize their engagement with the clients to drive revenue while keeping costs low.

Client Reports represents an important out-of-bank engagement tool that has potential to increase sales opportunities and client engagement. To maximize the potential of Client Reporting, banks need to re-evaluate the role in which Client Reports plays in the advisory process. By understanding competitive gaps within a bank's client reporting solution, banks can isolate improvement areas and work on a competitive offering. However, it is not advisable for banks to blindly pursue the development of client reporting features without having a clear strategy.

Synpulse's action-driven Client Reporting framework is derived from their expertise, and experience in developing Client Reporting solutions. Having a clear and structured framework will allow the banks to better design their client reporting solution to captivate and inspire their clients to increase their sales interactions with the banks. With a proven and structured methodology, such as Synpulse's SPEEDMethod, clients can analyse, align and implement Client Reporting solutions in a manner that is sales and cost effective.

Client Reporting will continue to be an important component in the advisory process. The challenge remains for Private Banks to recognize Client Reporting as an important and integral part of their sales toolkit. Private Banks need to start devising a defined strategic approach in developing Client Reporting into a key differentiating and revenue generating capability

Side Bar: Synpulse's Case Study: Global Private Bank in Singapore

Institution	Results
<i>Project sponsor:</i> Regional COO Wealth Mgmt <i>Location scope:</i> SG/HK	<ul style="list-style-type: none"> Delivered a master list of more than 70 recommended features and functionality improvements to existing client report. Enhancements are projected to reap benefits of >SGD 1mio/yr Detailed a business plan to implement enhancements in 2014. Detailed the Enhancement and IT architecture roadmap for 2014
Synpulse's Roles and Responsibilities	
<ul style="list-style-type: none"> Project management to review and identify areas of improvement in client reporting capabilities SME analysis of clients and competitors' periodic private banking client reporting statements SME requirement gathering and feasibility study of recommended features and functionality improvements Business case to roadmap the enhancements to the client reports 	

Contact us

Synpulse is happy to discuss with you the opportunities in client reporting and possible ways to realize them. Please contact our topic experts Andreas Wenger (andreas.wenger@synpulse.com) or Patrick Otto (patrick.otto@synpulse.com).