

fs viewpoint

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Recipe for success:

How financial institutions can
forge a sustainable path for
mass-affluent customers



pwc

Point of view



Financial institutions have a strategic imperative to improve economic spreads through non-capital-consuming activities.

The new economic landscape is driven by strict capital requirements, narrow net interest margins, depressed commercial lending, and fee limitations.

Strict capital requirements

Basel III capital adequacy requirements will increase capital requirements on asset-centric businesses.

Narrow net interest margins

Hammered by a period of low interest rates and inability to deploy cheap deposits into productive earning assets, US net interest margins continue to decline.

Depressed commercial lending

Making up the shortfall with volume is simply not realistic as business owners continue to conserve cash and limit expansion.

Fee limitations

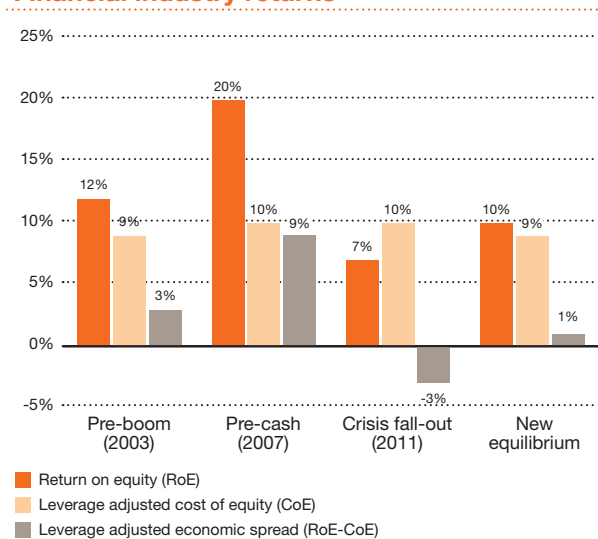
Provisions of the Dodd-Frank Act cap fees on various services and products while also forcing banks to divest certain proprietary activities.

Institutions are asking how they should best deploy their capital. In our view, they should also be focused on what resources they need to best serve their customers.

Wealth management presents an attractive prospect for lending, deposit growth, and fee income.

The needs of the wealthy span those of their household, their businesses, and their extended family. Financial institutions serve those needs via mortgage and small business lending, deposit and cash management solutions, investment advice, and other services.

Financial industry returns



Source: "Banking industry reform: A new equilibrium, Part 2: Detailed report," pg. 46. www.pwc.com

The wealth industry suffered during the recent economic downturn, with firms reducing costs to maintain margins.

Consumers changed allegiances, resulting in net asset flows to registered independent advisors (RIAs) and direct brokerage firms. Advisors left wirehouses to become RIAs, while RIAs migrated from solo practitioners to ensembles to small companies. Concurrently, direct brokerage firms and regional broker dealers facilitated the growth of RIAs by providing infrastructure support and a comfortable place to land.

Despite a tumultuous marketplace, no single player or business model has prevailed.

An opportunity exists to improve economic spread by delivering wealth management services to unique customer segments. To succeed, banks will need to deliver a broad range of products using a business model selected to profitably serve its targeted customer segments.

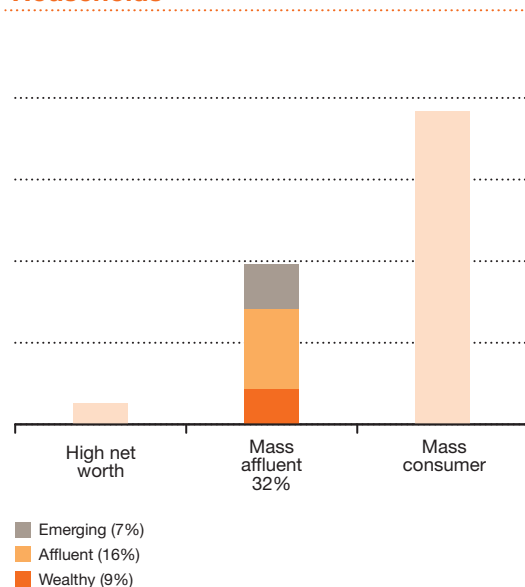
PwC believes that the mass affluent consumer presents an underserved market worth giving a second look, with a major source of investment assets and potential profits for financial institutions.

These often overlooked consumers are searching for products, services, and advice from financial institutions they can trust to meet their needs.

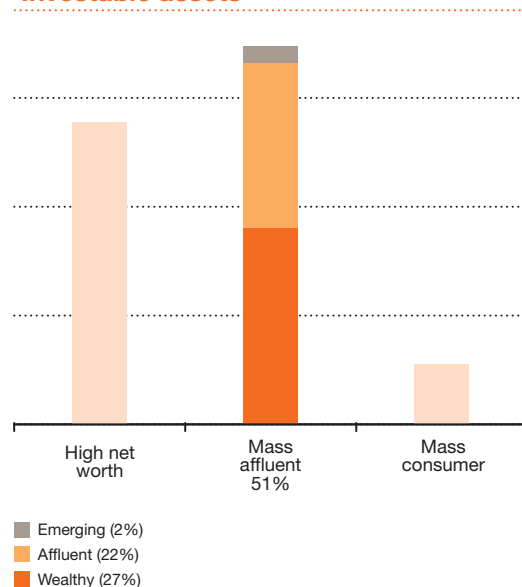
In the wake of the financial crisis, many mass affluent consumers are wary of financial institutions yet are seeking sound financial advice. Institutions that understand and cater to the financial planning needs of the mass affluent and deliver a unique offering, including advice and customized products/services, can capture the wallets and loyalty of this lucrative market segment.

The mass affluent consumer segment—the wealthy, affluent, and those climbing the wealth ladder (the emerging affluent) includes 39 million US households—32 percent of the total. This segment controls 51 percent of investable assets and as such are potentially more profitable than mass market customers.¹

Households



Investable assets



PwC defines the **mass affluent** consumer segment to include the following:

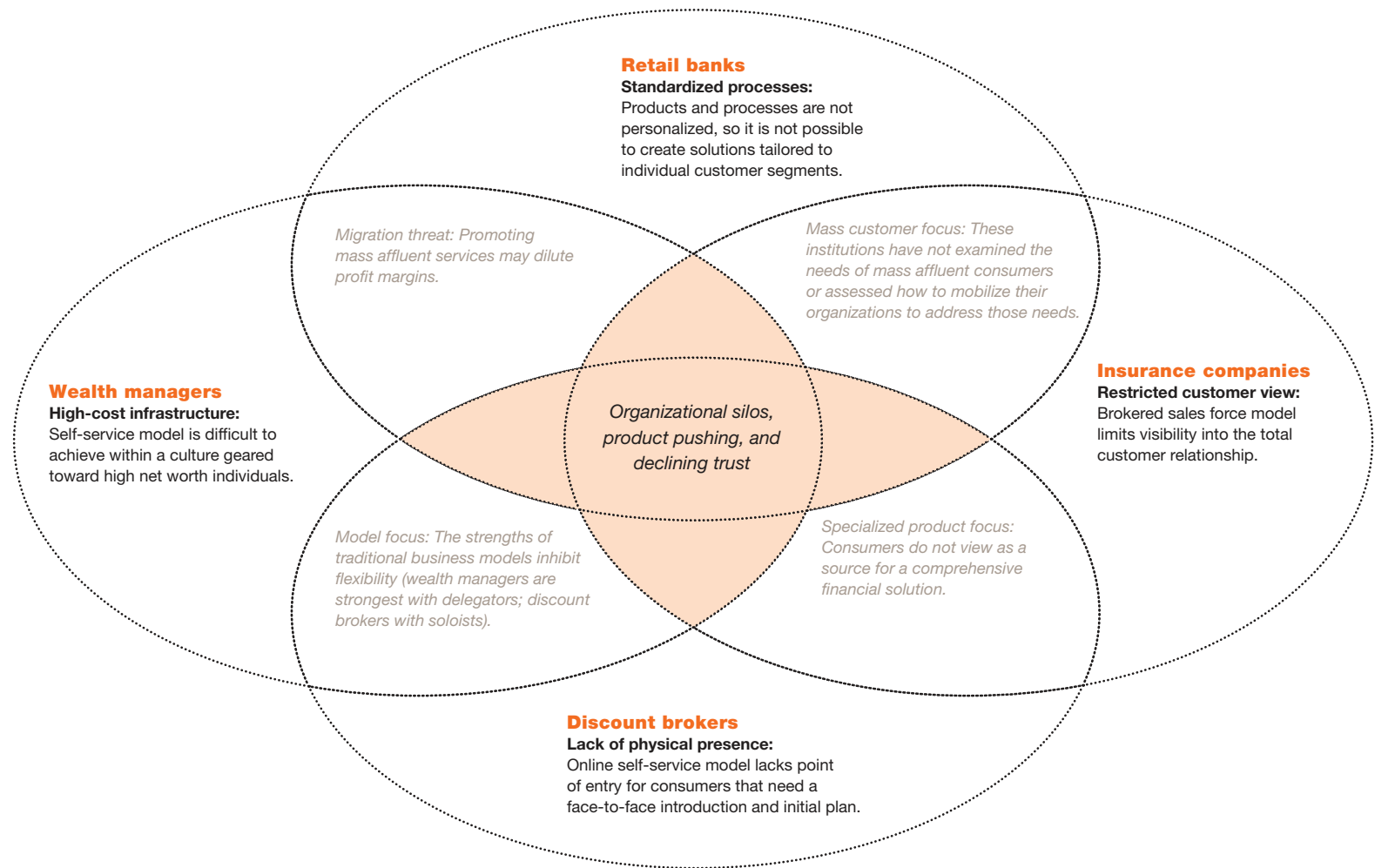
- **Wealthy:** Households with investable assets ranging from \$500,000 to \$1 million.
- **Affluent:** Households with investable assets ranging from \$100,000 to \$500,000.
- **Emerging affluent²:** Households that are likely to reach the affluent level of wealth within the next 5-to-10 years (and as such, are worth getting to know now).

¹ PwC analysis based on Claritas data.

² Identifying the emerging affluent is as much art as science. We identify them as households that typically are headed by adults younger than age 45 who have at least some college education and a minimum annual household income of \$75,000.

We have observed financial institutions across all industry sectors struggle to win the business of the mass affluent.

The struggles vary by industry sector, but all financial institutions share three obstacles: organizational silos, the tendency to push products rather than identify and address customer needs, and declining customer trust resulting from recent financial scandals and debacles. Across all four financial industry sectors, the low-tech, “high-touch” delivery model designed for high-net-worth individuals cannot be scaled to serve the mass affluent profitably.



The mass affluent consumer segment is generally willing to seek advice, but individuals want to remain at least somewhat in control of their own finances.

The mass affluent control unprecedented wealth...

- The mass affluent represent 32 percent of the US households but control 51 percent of investable assets.¹
- The mass affluent have a greater propensity to hold a broad range of financial assets (checking, savings, mutual funds, and stock) than the mass consumer and are more likely to utilize most debt products, such as mortgages, home equity lines, auto loans and unsecured lines of credit.²
- Mass affluent consumers are more likely than mass consumers to have full-service or discount brokerage accounts.³

...but they are uneasy about their financial future.

- In April 2012, 57 percent of mass affluent investors indicated that they expect to retire later than planned, up from 42 percent in January 2011. Respondents reported that it is harder to save for the long term now than it was five years ago.⁴
- More than 80 percent of the mass affluent (and more than 90 percent of 18- to 34-year-old mass affluent) are concerned that their retirement assets will not last throughout their lifetime.⁵
- A total of 79 percent of Gen Y respondents expressed apprehension about caring for an aging parent or adult child.⁶
- Of the mass affluent parents who saved for their children's education, 22 percent wished they began earlier.⁷

The mass affluent want more control over their finances...

- Mass affluent consumers are more likely than mass consumers to track their investments online, to be connected to the Internet via a cell phone, to pay bills online, and to receive alerts via a mobile device.⁸
- From 2000 to 2009, the proportion of consumers who are “delegators”—willing to give control of their finances to a third party—declined only slightly (from 30 percent to 28 percent).⁹
- The mass affluent need to balance their desire for additional control with their busy lifestyles. Instead of turning their money over to someone else to manage, they are seeking simple, straightforward messages and interactive tools that support informed decision making.

...but they are still seeking advice.

- The proportion of brokerage customers who are “validators”—gathering their own information and making their own decisions, while also seeking advice or validation from experts—has increased from 44 percent in 2000 to 55 percent in 2009. The shift toward validators is fueled by a decline in “soloists”—those who make decisions on their own without assistance—from 26 percent in 2000 to 18 percent in 2009. Among the mass affluent, 51 percent are validators, 19 percent are soloists, and 30 percent are delegators.¹⁰
- Mass affluent consumers are more likely than mass consumers to use financial planning or seek money management counsel.¹¹
- The search for an advisor is complicated by the need to trust that individual and related institutions.

1. PwC analysis using Claritas data.

2. PwC analysis.

3. Ibid.

4. Bank of America, “Merrill Edge Report:

April 2012,” April 2012.

5. Ibid.

6. Ibid.

7. Bank of America, “Merrill Edge Report: November 2011,” November 2011.

8. PwC analysis.

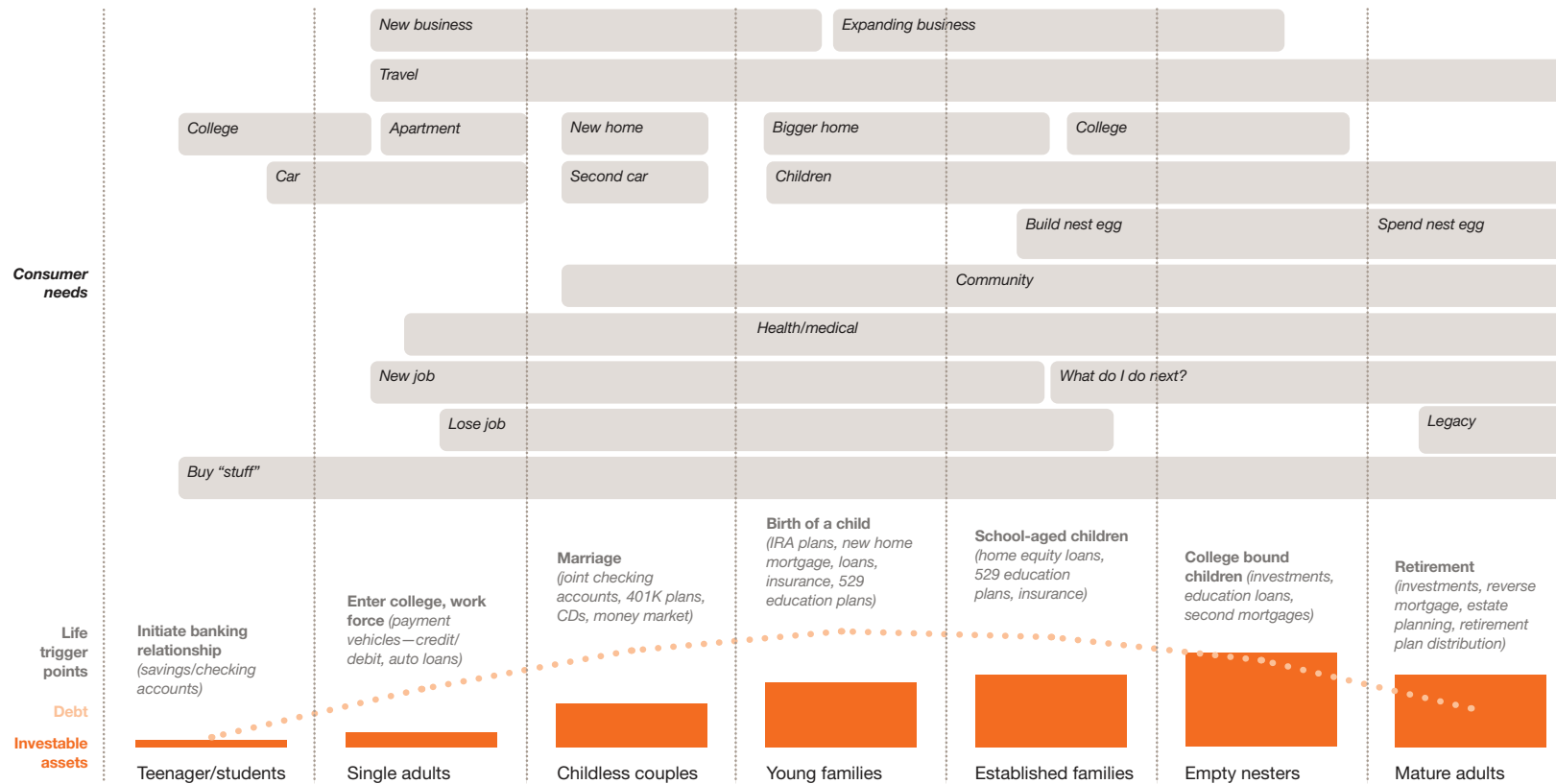
9. Bill Doyle, Forrester Research, “Segmenting US Investors, 2010,” 19 July 2010.

10. Ibid.

11. PwC analysis.

We have observed leading institutions step away from product pushing and strive to understand the current needs of each customer based on his/her individual circumstances.

Many consumer needs are triggered by life events, as illustrated below. Although each consumer travels a different path, financial institutions that build trusting relationships with their customers set their radar to identify these life events as they occur.



Leading institutions are also helping their customers develop plans for their financial futures, with an understanding that the challenges faced by the mass affluent differ drastically from the challenges of earlier decades.

The financial challenges faced by mass affluent consumers include:

Home ownership—With a primary residence representing an average of 29 percent of the mass affluent’s assets, navigating the recent slide in home values presents a challenge.¹ For many, the home ownership dream that was accepted as a given has become a financial planning nightmare.

Higher costs of education—Onerous college expenses loom in front of mass affluent parents. In addition, their children, who will soon emerge as mass affluent, must tackle a growing burden of college debt while establishing themselves as independent households.

Other debt—The emerging affluent sub-segment has other unique needs. Although they are as likely to hold mortgages and new car loans as the affluent and wealthy, they are more likely to carry credit card balances. They have not yet accumulated equity in their homes and thus are not able to use their homes as collateral.

Unexpected expenses—The wealth of the mass affluent is more likely to be accumulated than inherited, so unplanned events such as loss of employment or an automobile accident can threaten their families’ financial viability.

Uncertainty about future medical costs—Medical expenses that increase with age, coupled with the uncertainties of healthcare reform impact how the mass affluent save for the future.

Growing uncertainty about retirement income—Although they have built small nest eggs, the mass affluent are not yet financially secure. They are looking to increase investment returns to compensate for anticipated shortfalls.

Higher discretionary income—With more discretionary income than generations past, today’s mass affluent face many more decisions and need to understand their capacity for both spending and investing.

¹ PwC analysis.

To determine how best to serve the current needs of customers, leading financial institutions map current customer needs to products and service solutions.

Financial institutions speak in the language of products and services. When customers feel their financial lives are disconnected from their financial institutions, is that surprising? Financial institutions need a translator. That translator is a financial planning process, which aligns customer needs to the specific products and services that act to address those needs.

The mass affluent

Needs

Apartment
Buy "stuff"
New job
Lost job
Health/medical
Children
Car
New home
Bigger home
Travel
College
New business
Expanding business
Retirement
Community
Legacy
Second car

Financial planning process

Cash flow and financial condition

Set monthly cash flow goals and monitor progress against goals.

Planning for the unexpected

Plan for unexpected expenditures through insurance and/or emergency funds.

Debt and leverage

Set short-term debt reduction goals to achieve long-term results. Use debt appropriately and understand its effect on other lifetime goals.

Savings

Develop a savings program for both short- and long-term goals and monitor and adjust monthly savings for life events.

Investing

Understand the risks and rewards of investments and how they support short- and long-term goals.

Legacy

Create annual charitable giving goals and consider long-term estate planning goals.



Financial institutions

Service

Budget/cash flow capabilities, comprehensive life plan, visual and interactive tools, cash-flow management advice, purchase recommendations and discounts, business startup and management services, customer-to-business and consumer-to-consumer payments

Comprehensive life plan, 401k rollover capture

Comprehensive life plan, major purchase advice and facilitation

Retirement plan, 401k rollover capture, online trading, social savings tools, recurring transfers

Retirement plan, online trading, portfolio risk evaluation, investment advice

Retirement plan, charitable giving plan

Product

Deposit and savings accounts

Savings accounts, life insurance, property and casualty insurance, medical and long-term care insurance

Real estate and non-real estate loans

IRA plans: traditional, simplified employee pension, and Roth; brokerage and savings accounts, exchange-traded funds, options

Stocks and bonds, annuities, mutual funds, exchange-traded funds, and options

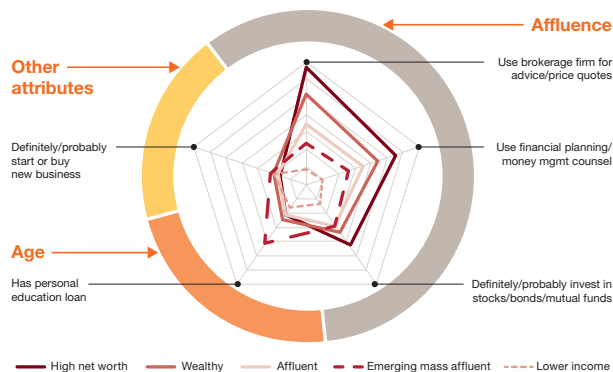
Trusts and wills

Looking beyond a customer's level of affluence, leading financial institutions segment the mass affluent based on other important attributes.

Some behaviors do correlate with level of wealth, such as the propensity to use a financial planner, willingness to engage a brokerage firm, or likelihood of purchasing specific investment vehicles.

However, leading financial institutions now recognize that other attributes also drive behavior. Some are as simple as age, but others are driven by more complex motivations, such as the propensity to start a business.

Illustrative example



Segmentation should be based on important attributes, such as how the customer acquired his/her wealth. The following table provides some sample sub-segments of the mass affluent consumer group.

Sub-segment	Scenario	Opportunity
Predictable success	Some individuals make good decisions early or have familial advantages that set them on a recognizable path toward success in terms of their education and/or career decisions, although they may still require 10- to-20 years to accumulate outsized assets.	A financial institution that traverses the path with this sub-segment through a dedicated focus on professional and alumni groups will be rewarded as professional success transitions to financial success. Building brand loyalty early makes asset retention easier.
Rising star	Some individuals are just "passing through." Events puts them in a position to accumulate assets rapidly, with immediate financial decisions that exceed their preparedness.	A wealth "swat team" can assess the customer's range of needs, build confidence and position the individual in the institution's continuum of wealth management services.
Entrepreneur	Successful serial entrepreneurs may move back and forth between mass affluent and high-net-worth segments following the lifecycle of their ventures.	A seamless continuum of services extends an institution's capacity to serve individuals when they take a "step down" to start a new venture.
Small business owner	A small business and its owner are inseparable. The recent recession led some owners to fund their businesses with cash flow instead of debt. This put their businesses on firm financial footing, but depleted the owners' investable assets.	Integrating mass affluent and small business banking services allows institutions to serve the needs of business owners as well as their companies.
401K rich	A career at a single company over a lifetime is no longer an expectation, or even an aspiration. A change in employment creates a decision point: whether or not to roll over an existing 401k.	A rollover allows the mass affluent customer to qualify for a greater range of services. The secret to capturing the rollover is in building a relationship prior to the event that creates consideration for the rollover.
Heir	Inheriting wealth can propel consumers into the ranks of the mass affluent. These consumers may not be prepared to manage a larger portfolio or more complex assets.	A digital suite of capabilities creates a strong value proposition, especially for younger heirs, thereby facilitating retention of private wealth management assets transferred after the death of a relative.
Steady Eddie	Most wealth is created over a lifetime. The transition into the ranks of the mass affluent results from the convergence of age and consistent investing.	Sound financial advice positions institutions to grow with their customers. An institution that brands itself as a "wealth building engine" for its customers will win Steady Eddie's business.

Serving the mass affluent profitably is not a cake walk. A business model that leverages economies of scale while delivering personalized service is an imperative.

Financial institutions have traditionally ignored the mass affluent because, simply put, they could not serve them profitably given their business models.

With an average of only \$300,000 in investable assets, the mass-affluent customer has traditionally been overlooked in favor of the high-net-worth customer, with an average of \$1.8 million in investable assets. For the mass affluent segment to be profitable, financial institutions must blend a business model that allows customers to perform many activities on their own while offering personalized services when needed.

Lower asset values

- Investable assets average \$300,000, far short of a \$1.8 million average for the high-net-worth segment ¹

Emerging regulation

- SEC and FINRA registration
- Fiduciary and suitability standards
- CFPB expectations
- CARD and Dodd-Frank Act regulations

Scalable business model

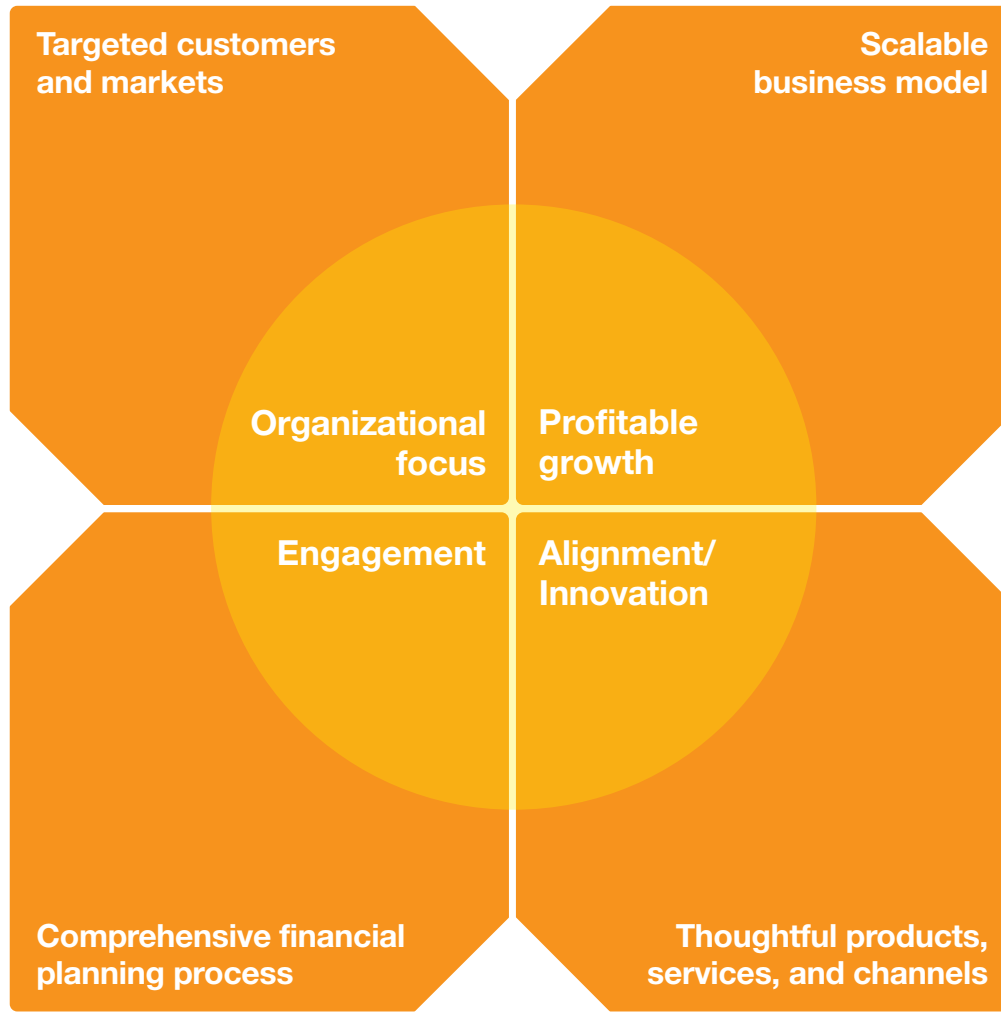
- Innovative tools allowing **visualization and what-if** scenarios.
- Principled design with an emphasis on **personalization and simplicity**.
- Products and services **aligned to customer needs** without organizational bias.
- **Rich digital experience** built on a business and technology architecture that transcends the digital/physical divide.
- **Committed front-office and back-office team** operating in a culture dedicated to guide customers as they build wealth.
- Consistent **process execution and measurement** that reinforces consistency and regulatory compliance.

Desired customer experience

- Advice that is fine tuned to specific needs
- Products and services that build wealth
- Innovative digital technologies that create informed decisions
- Ability to traverse from digital to face-to-face interactions seamlessly for advice
- Customized services provided exclusively to mass affluent customers

¹ PwC analysis.

In our view, financial institutions should adapt their mode of operating to meet the needs of the mass-affluent market and boost profitability.



Financial institutions should adopt a systematic approach in order to succeed:

Profitable execution starts with insight during the design process. This design—the one that will deliver the desired customer experience—entails more than just a few specialized products.

The design effort starts with understanding the **customers and markets to be targeted**. Without that, all other efforts lack direction.

How those customers and markets are served profitably must be built into a **scalable business model** with consideration for the nature of the customer experience created.

A critically important point of engagement is realized through a **comprehensive financial planning process**. As the translator between customer needs and the products and services offered by the financial institution, it deserves special attention.

And, last but not least, innovative **products and services** must be delivered thoughtfully through **channels** designed to provide support and organizational alignment to the selected business model.

Financial institutions that get it right will realize sustainable revenues and increased bottom-line earnings.

Four key benefits of serving the mass affluent:

Increased retention and customer referrals

- Create a lifetime customer.
- Become a trusted advisor.
- Appeal to customers by providing personalized solutions.
- Reduce customer acquisition costs.
- Increase customer base.

Revenue uplift

- Grow assets under management (AUM) and referrals.
- Cross-sell additional products.
- Diversify sales across a broad range of products.

Cost savings

- Reduce product-switching costs.
- Create channels that effectively meet customer needs.
- Reduce overnight borrowing costs (more customer assets mean less need for fed funds).

Risk reduction

- Enhance regulatory compliance.
- Reduce customer risk profile.
- Increase access to comprehensive customer account/transaction data.
- Increase awareness of customer risk triggers.

The benefits translate to bottom-line earnings for financial institutions that actively pursue these segments:

- For each customer retained, the value created by a mass affluent consumer significantly exceeds that of those who fall below this wealth threshold.

- The mass affluent's propensity to hold more asset types across deposits, investments, and lending makes them good candidates for cross-sell programs.

- Customers sold the wrong product are more likely to leave, resulting in reduced revenue.
- Financial institutions that serve customers via each customer's preferred channel are more likely to increase share of wallet.

- Although risk avoidance is difficult to quantify, one lesson learned from the recent recession is that a well controlled, relationship-based strategy results in reduced losses.

Competitive intelligence



*Our observations of
industry practices.*

Financial institutions that wish to gain share of wallet from mass-affluent customers must concentrate on leading practices across multiple areas of focus to deliver a holistic solution.


Area of focus	Leading practices
What are institutions doing to better understand markets and customers?	<ul style="list-style-type: none"> • Institutions leverage the customer's actual behavior (such as transactions or channel usage) to identify behavioral-based segments. • Institutions engage customers to co-create new experiences and use private idea generation/bloggging sites to gather information about customer interests. • Institutions invest in customer experience labs or "innovation branches" in which they study consumer reactions to new experiences, product offerings, and online interactions or product offerings.
How are institutions recreating their business model to create scale that allows for profitable growth?	<ul style="list-style-type: none"> • Institutions invest in technology innovations that the mass affluent value, including mobile and tablet capabilities and simulation/visualization tools. • Institutions create an infrastructure by which customers can move seamlessly across channels for high-value sales and service interactions. • Institutions build rules-based processes that allow for personalization while reinforcing consistency, responsiveness, and regulatory compliance. • Institutions use champion-challenger models to identify optimal price points in geographic regions and across customer segments.
How are the institutions delivering a comprehensive financial planning process?	<ul style="list-style-type: none"> • Institutions offer a personal life coach that integrates financial health within the broader context of personal decision making. • Institutions build financial planning tools that facilitate interactions online and in face-to-face mode. Interactive tools allow customers to visualize their complete financial position, providing a platform to forecast the impact of planning scenarios. • Institutions deliver personalized investment and savings advice online via an avatar. An interactive questionnaire produces a retirement readiness score. Advice is also offered on how to choose an investment professional. • Institutions host regular financial seminars in branches on topics such as investing, buying a home, estate planning, and retirement planning.
How are institutions building customer engagement through product, service, and channel delivery strategies?	<ul style="list-style-type: none"> • Institutions meet the customer's need for speed and convenience by giving an instant decision online, with the ability to pick up a credit card from a branch within 24 hours. • Institutions have invested in technology in branches where customers and a bank employee sit across from each other and move through digital content by touching and swiping the screen. This results in a richer and more interactive dialogue. • Financial institutions provide answers online at the point of customer need via proactive chat triggered by a business rules engine that analyzes traffic patterns in real time to identify site visitors most likely to benefit. The bank benefits as well by increasing the conversion rate for website visitors.

In our experience, very few financial institutions have implemented a cohesive strategy to address the needs of the mass affluent.

	Institution A: Large national bank	Institution B: Regional bank	Institution C: Online brokerage
What are institutions doing to better understand markets and customers?	<ul style="list-style-type: none"> The institution analyzes customer financial transactions and other interactions to produce segments that reflect actual customer behavior. Customer segments are transformed to personas to facilitate better understanding of customer needs. 	<ul style="list-style-type: none"> Institution maintains Facebook and Twitter sites to gauge the pulse of customers and to solve customer problems when identified. The social media sites have not yet been leveraged for product innovation and more advanced interaction. The institution conducts surveys and focus groups to better understand the needs of mass affluent customers in their geographic markets. 	<ul style="list-style-type: none"> Institution routinely performs research into the attitudes and needs of its customers as well of as the investor market as a whole.
How are institutions recreating their business model to create scale that allows for profitable growth?	<ul style="list-style-type: none"> The institution focuses on building enhanced online and mobile product offerings and services, such as the ability to schedule an appointment with the bank online. The institution uses technology such as tablets and digital walls to expand the branch role and engage customers. Customers and employees can meet via video meetings to address complex issues. 	<ul style="list-style-type: none"> The institution has brought together their consumer and wealth management businesses under a single executive, which will result in reduced channel conflict from a line of business and product perspective. Institution has established a sponsored, but separately branded, website with financial planning advice and tools. 	<ul style="list-style-type: none"> Institution is shifting its focus to deliver financial advice via a combination of online and face-to-face models to diversify the client base to increase long-term retention of mass affluent clients. Institution is in the process of opening branches in areas with concentrations of mass affluent clients.
			 Leading  On par  Lagging

In particular, we see few financial institutions coordinating their financial planning processes and related products and services to consider the needs of the mass affluent.

	Institution A: Large national Bank	Institution B: Regional bank	Institution C: Online brokerage
How are the institutions delivering a comprehensive financial planning process?	<ul style="list-style-type: none"> Customers are encouraged to self identify the type of financial planning support they are looking for via the bank's website. Depending upon their answers, customers are referred to self-directed or brokerage services. The institution has developed enhanced self-service brokerage capabilities to provide services to the subset of mass affluent customers who wish to be directly involved in investment decision making. Self-service brokerage is supplemented by an in-person "check-up" for those who wish to validate decisions. 	<ul style="list-style-type: none"> Branch personnel pride themselves in knowing customers and being concerned about their financial well being. A structured sales process reinforces cross sell of key products, but a needs-based selling approach has not been deployed. 	<ul style="list-style-type: none"> Online services include robust investment selection and retirement planning tools, but are limited with respect to managing cash flow, debt, and establishing a legacy. Planning tools are episodic and not comprehensive. Independent advisors determine their own scope of services in conjunction with online services, limiting consistency of the customer experience.
How are institutions building customer engagement through product, service, and channel delivery strategies?	<ul style="list-style-type: none"> The institution employs a structured process by which new product ideas are piloted across select channels with predetermined measurements of success, including share-of-wallet growth. 	<ul style="list-style-type: none"> The institution has expressed a goal to deliver products and services to meet the specific needs of customer segments. However, specific products and services have not yet been deployed. 	<ul style="list-style-type: none"> The institution is integrating delivery of deposit and loan products through its bank.

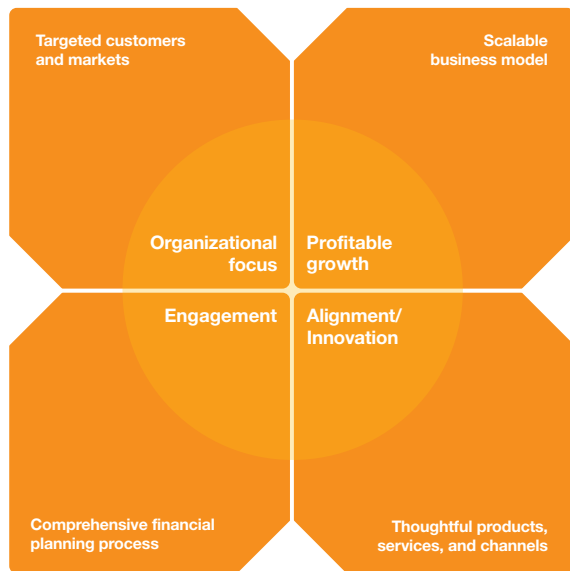
 Leading
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A framework for response



Our recommended approach to the issue.

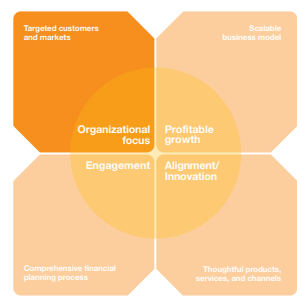
A four-step process to developing a goals-based selling model can help financial institutions connect with the mass affluent.



Process	Key goals	Outputs
Understand markets and customers	<ul style="list-style-type: none"> Collect and analyze data on customer demographics and determine target segment. Establish dialogues with target customers in order to gain visibility into what motivates them. 	<ul style="list-style-type: none"> Well-defined target customer segments. Customer analytics reporting provides unique insights into customer needs and motivators.
Develop a scalable business model	<ul style="list-style-type: none"> Leverage existing strengths to deliver a unique experience. Challenge the organization to eliminate barriers to delivering a holistic view of the customers. Help ensure a consistent, high-quality experience regardless of the channel. Help ensure quality and regulatory compliance are built into every step. 	<ul style="list-style-type: none"> Clear sales and service process with organizational accountability. Understanding of drivers of sales and satisfaction. Improved customer data and metrics. Enhanced engagement model.
Deliver a comprehensive financial planning process	<ul style="list-style-type: none"> Standardize the financial planning delivery model in a way that creates an engaging financial education environment. Proactively work with customers to track against detailed, measureable plans through personal coaching. 	<ul style="list-style-type: none"> Standard model for developing customized financial goals, action plans, and tracking. Staff ready to tackle challenging discussions while preparing a financial plan.
Develop product, service, and channel strategy	<ul style="list-style-type: none"> Use robust customer analytics to support strategic decision making in areas such as pricing, new products/services, and rewards. Assess the ability of the front, middle, and back offices to deliver them. Develop channel strategies that capitalize on the distinct and complementary role of each channel. 	<ul style="list-style-type: none"> Product, service, and operations aligned to customer needs. Customized delivery channels, such as online tools and social media, that help customers set and track goals.

Understand markets and customers

Collect and analyze customer demographic data to identify unique sub segments to target.



Customer segmentation

Many unique customer sub-segments exist within the mass affluent. Each has differing circumstances and needs. Consider the following two inversely related examples:

- A recently graduated, single lawyer is likely to have accumulated student debt, yet retains the expectation of many years of future income.
- A dual-income couple with two high-school-age children is likely to have significant home equity, yet be forced to seek alternative financing options for retirement and children’s education.

Understanding and responding to the unique needs of each target segment is a critical step in beginning a dialogue with potential customers.

Once segments are defined and understood, financial institutions can adapt products, services, and delivery channels to their specific needs and preferences.

Customer analytics

With universal client identifiers added to all accounts, marketing personnel can mine the data to produce a comprehensive profile of each customer and assign the customer to the appropriate segment (e.g., his/her stage in the life cycle).

Financial planning efforts can then be targeted to each segment and tailored to each customer. Consider the following example of a customer from the “young families” segment:

- Planning discussions can commence around the challenges of saving to purchase a larger home and maintaining a stellar credit rating as he/she prepares for a larger mortgage.

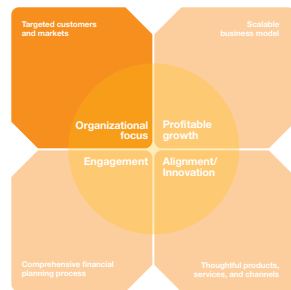
Example of customer segmentation model to analyze customer behavior with investing and the propensity to seek expert guidance.

Potential mass affluent customer segments	Expected lifetime value	Use brokerage firms for advice/ price quotes	Use financial planning/money management counsel	Definitely/probably invest in stocks/bonds/mutual funds
Couples without dependents: Financial up-and-comers, strong users of technology	Very high	Moderate	Moderate	High
Empty nesters: Wealthy, high touch, low interest in technology	Moderate	High	High	Moderate
Established families: Growing assets, developing interest in technology	Very high	High	Very high	Low
Single adults: Young spenders, low savings, high interest in technology	Low	Low	Low	Very high

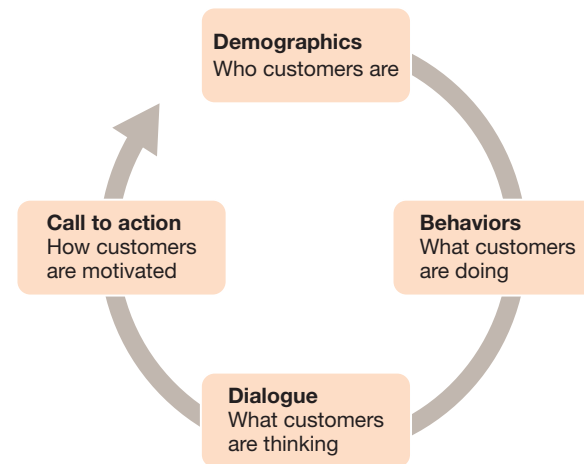
Understand markets and customers

Establish a dialogue with target mass affluent consumers to gain visibility into what motivates them.

A successful program will make the connection between customer demographics (target segments) and motivations (decision to buy).



Considerations for financial institutions



Motivational levers may include:

- Speed
- Price
- Convenience
- Relationship
- Prestige or recognition

Lay a foundation

- Define objectives and roadmap for customer analytics program.
- Assign a dedicated, experienced team to identify needs of specified customer segments.
- Be prepared to make technology changes and investments to support a customer-centric architecture.
- Define standard data points that are gathered consistently across the organization (e.g., demographics, customer service patterns, online behaviors, and types of transactions).
- Assess whether the team has authority to work across lines of business and product organizations to drive out solutions.

Listen and understand

- Capture the right data to understand customers' purchasing habits, financial needs, and life stages—all factors that drive their expected purchasing decisions.
- Identify and analyze household behaviors in addition to the behavior of individual customers.
- Pay particular attention to what customers are already communicating with their actual transaction behavior.
- Listen directly to customers and those who serve them: perform voice of the customer analysis.
- Maintain a consistent customer listening program that includes call monitoring, surveys, focus groups and social media.

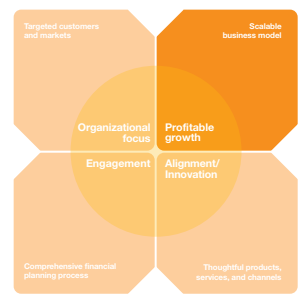
Prioritize and set direction

- Develop personas that assist internal stakeholders in understanding target segment needs.
- Brainstorm potential solutions to address customer needs.
- Assess potential solutions against the corporate strategy to enable better alignment.
- Prioritize potential solutions to help ensure organizational focus.
- Continue customer listening activities to refine potential solutions.

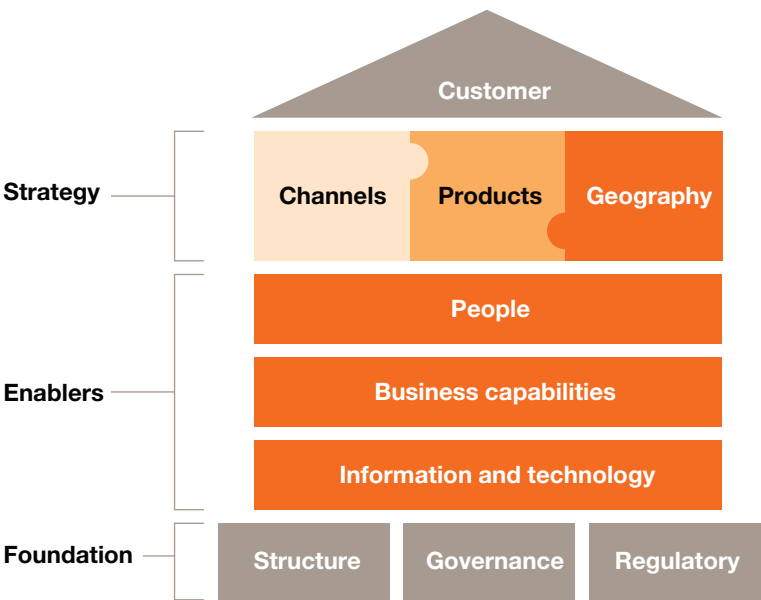
Develop a scalable business model

Deploy a business model that navigates successfully across business lines and channels against the prevailing winds of product silos.

Financial institutions succeed only if they have the stamina to persevere and can help ensure that all elements of the business model are tuned to deliver to the needs of the mass-affluent client.



Elements of business model



Potential business models

The right model varies by institution ... we have suggested three for evaluation:

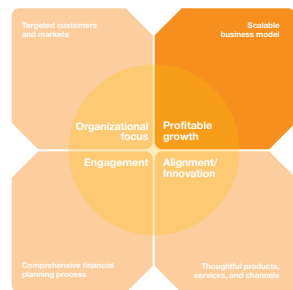
On my own, with some help

Dedicated to me

My branch and me

Develop a scalable business model

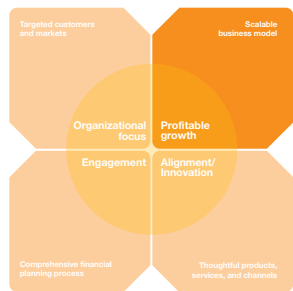
Select a business model that aligns the organization's resources to create profitable client interactions that reduce cost and improve profitability ... all while managing regulatory risk.



	On my own, with some help	Dedicated to me	My branch and me
Customers	<ul style="list-style-type: none"> Gen X and Y Tech-savvy baby boomers 	<ul style="list-style-type: none"> Baby boomers Mass affluent in the wealthy sub-segment 	<ul style="list-style-type: none"> Clients uncomfortable with digital Emerging mass affluent Retirees
Channels	<ul style="list-style-type: none"> Online, mobile, and tablet Phone, chat, video 	<ul style="list-style-type: none"> Face-to-face advisor Limited digital services Dedicated call center for support 	<ul style="list-style-type: none"> Face-to-face in the branch Phone support
Products	<ul style="list-style-type: none"> Financial planning Investment management Online and mobile tools/research Access to advisors (not face-to-face) Risk profiling 	<ul style="list-style-type: none"> Financial planning Investment management Product bundles designed to match needs Investment education 	<ul style="list-style-type: none"> Financial planning and advice Investment advice Simple products, such as mutual funds Investment education
Geography	<ul style="list-style-type: none"> Not restricted by geography 	<ul style="list-style-type: none"> Local offices in affluent geographies National support organization 	<ul style="list-style-type: none"> Aligned to branch network
People	<ul style="list-style-type: none"> Specialized advisors in call/chat centers Focus on technology innovation 	<ul style="list-style-type: none"> Multi-product advisors supported by dedicated chat/call centers Mobile advisors visit clients at selected locations 	<ul style="list-style-type: none"> Multi-product local advisors who perform other branch functions Call center experts
Strength	<ul style="list-style-type: none"> Addresses needs of emerging generation 	<ul style="list-style-type: none"> Delivers advice and sales to segment with largest current portfolios 	<ul style="list-style-type: none"> Leverages existing investment in branches
Risk	<ul style="list-style-type: none"> Digital delivery of complex concepts is new Lack of face-to-face channels limits sales potential 	<ul style="list-style-type: none"> Highest cost alternative 	<ul style="list-style-type: none"> Difficult to sustain quality of advice Stringent controls required to maintain regulatory compliance

Develop a scalable business model

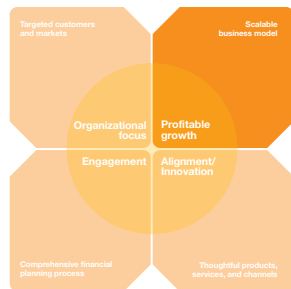
Consider key success factors for each component of the business model that brings the model to life.



Components	Key considerations	Success factors
Customers	<ul style="list-style-type: none"> Who are our target customer segments? What are their needs and requirements? 	<ul style="list-style-type: none"> Develop segmentation of mass affluent based on lifestyle, financial factors, etc.
Channels	<ul style="list-style-type: none"> How do we reach each customer segment? How do we promote seamless integration of channels? 	<ul style="list-style-type: none"> Encourage self service with online/mobile tools and capabilities. Leverage virtual/call center advisors.
Products	<ul style="list-style-type: none"> What products do we offer to each segment? How will we develop future product offerings? 	<ul style="list-style-type: none"> Conduct customer and market analysis and develop products targeting mass affluent. Invest in innovation and co-creation.
Geography	<ul style="list-style-type: none"> Where should we be located to attract our target clients and where do our current clients reside? Which market types do we want to target? 	<ul style="list-style-type: none"> Improve current branch or office network. Define target locations or markets for new branches.
People	<ul style="list-style-type: none"> Which skill set do we have in house? What new skills do we need to develop or acquire? 	<ul style="list-style-type: none"> Build a career ladder that rewards needs-based sales. Align incentives to strategic goals.
Business capabilities	<ul style="list-style-type: none"> What capabilities do we need? What do we have in-house and what do to develop? Which processes do we need to enhance or develop? 	<ul style="list-style-type: none"> Develop future state based on strategic vision and identify gaps. Prioritize investments to help ensure focus on digital capabilities. Build modular and reusable components to leverage across products and channels.
Information and technology	<ul style="list-style-type: none"> What data do we need? How do we promote data integrity and consistency? Which existing technology can we leverage? What new technologies do we need? 	<ul style="list-style-type: none"> Decide which KPIs to track. Help ensure data governance is properly in place. Define future state and identify gaps.
Structure	<ul style="list-style-type: none"> Who will be the key decision makers? Who will own profit and loss statements? 	<ul style="list-style-type: none"> Decide on customer market, product, channel, or hybrid organizational model.
Governance	<ul style="list-style-type: none"> What is the governance committee structure? How are decisions and events escalated? 	<ul style="list-style-type: none"> Determine governance team and structure. Develop escalation and communication paths to governance committee.
Regulatory	<ul style="list-style-type: none"> How do we learn and incorporate new regulations into our banking operations? 	<ul style="list-style-type: none"> Help ensure enterprise-wide understanding of regulations. Develop mechanisms to promote regulatory compliance.

Develop a scalable business model

Apply due diligence to achieve an appropriate balance between growth and regulatory compliance.



No business model driven by advice can be successful without recognizing the related regulatory compliance challenges.

Regulatory body	Key elements	What does this mean?
Dodd-Frank	<ul style="list-style-type: none"> Requires increased transparency through enhanced requirements to provide data and information to regulators and investors. Requires the SEC to evaluate the existing standard of care that investment advisors owe when providing personalized investment and recommendations about securities to retail customers.¹ Requires the SEC to study ways to enhance the oversight of registered investment advisors or charging user fees for SEC examinations.² 	<ul style="list-style-type: none"> Institutions must implement procedures and standards for investment to increase transparency with both the regulators and customers.
IRS/FATCA	<ul style="list-style-type: none"> Requires Foreign Financial Institutions (FFIs) to report directly to the IRS certain information about financial accounts held by US taxpayers or by foreign entities in which US taxpayers hold a substantial ownership interest.³ 	<ul style="list-style-type: none"> Institutions must implement processes to identify foreign account holders for proper reporting to the IRS.
FINRA and SEC	<ul style="list-style-type: none"> Requires individuals who are holding themselves out as financial advisors to register with the SEC and FINRA. 	<ul style="list-style-type: none"> Institutions that provide investment services must make certain that investment advisors are properly registered with the FINRA and the SEC.

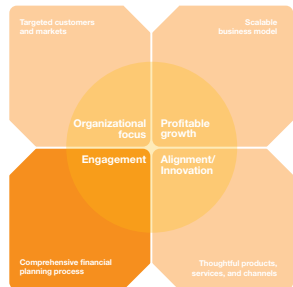
¹ PwC, *A fast take on the impact of the Dodd-Frank Act on asset management firms*, April 2012.

² Ibid.

³ Internal Revenue Service

Deliver a comprehensive financial planning process

Standardize the financial planning delivery model to create a common experience for customers across the financial institution.

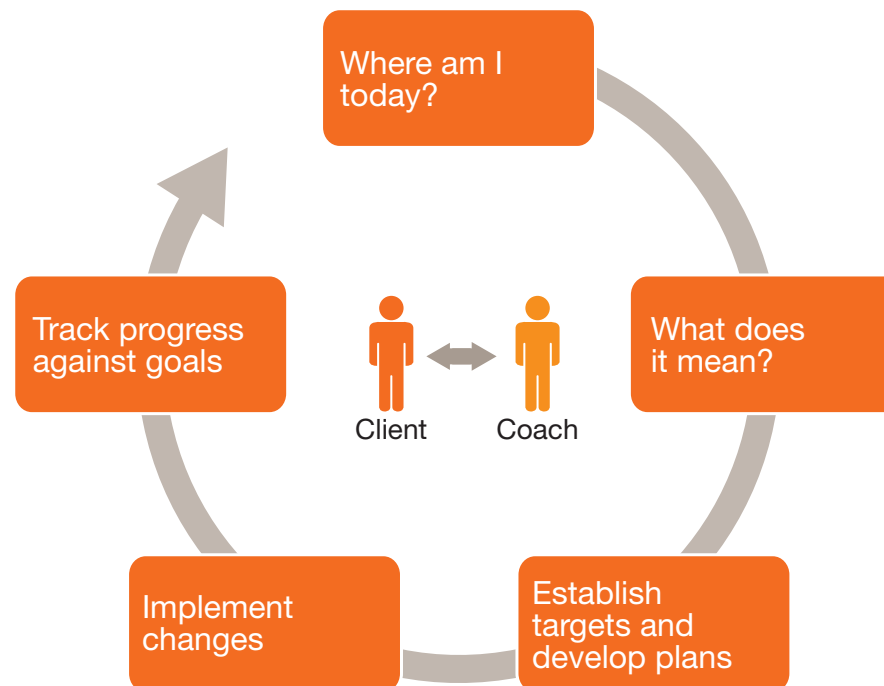


Engaging the customer

While many institutions have developed online and social media tools, institutions should look beyond these tools to engage their customers for the long term. Successfully implementing this approach is challenging. Trust must first be established with the financial institution and its representatives.

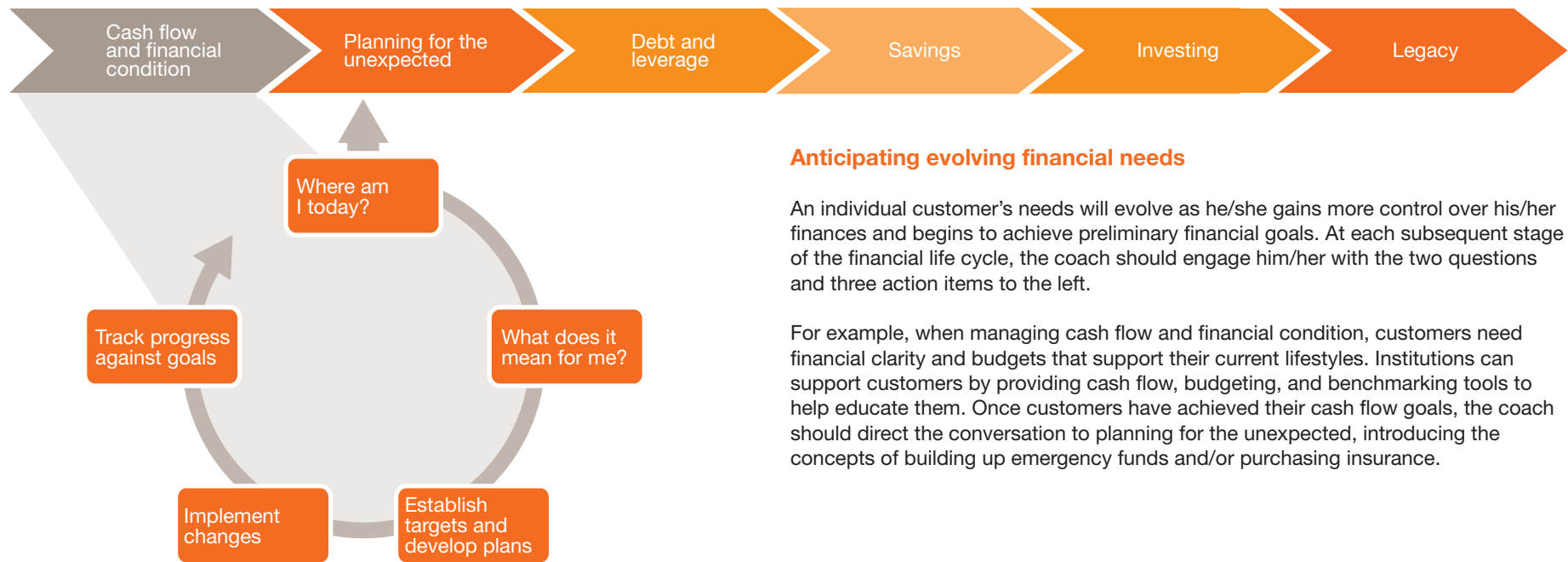
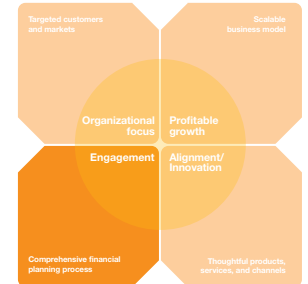
Once trust is established, the conversation can be directed toward specific concerns regarding the customer's financial well being. This may involve highlighting areas where the consumer's behavior does not align with his/her stated goals.

Process for engaging customers and tracking progress



Deliver a comprehensive financial planning process

Provide support as customers move through the financial life cycle by anticipating evolving financial needs and updating goals and plans.



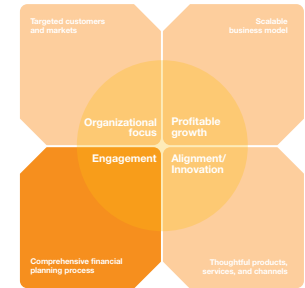
Anticipating evolving financial needs

An individual customer's needs will evolve as he/she gains more control over his/her finances and begins to achieve preliminary financial goals. At each subsequent stage of the financial life cycle, the coach should engage him/her with the two questions and three action items to the left.

For example, when managing cash flow and financial condition, customers need financial clarity and budgets that support their current lifestyles. Institutions can support customers by providing cash flow, budgeting, and benchmarking tools to help educate them. Once customers have achieved their cash flow goals, the coach should direct the conversation to planning for the unexpected, introducing the concepts of building up emergency funds and/or purchasing insurance.

Deliver a comprehensive financial planning process

Help customers create detailed, measureable plans and work with them to track progress against those plans.

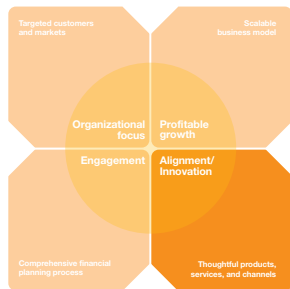


	Cash flow and financial condition	Planning for the unexpected	Debt and leverage	Savings	Investing	Legacy
Where am I today?	<ul style="list-style-type: none"> Expense tracking and categorization Balance sheet and net worth 	<ul style="list-style-type: none"> Inventory of insurable events Inventory of potential non-insurable events Insurance coverage levels and deductibles Emergency savings 	<ul style="list-style-type: none"> Inventory of debt including term, rate, and monthly payments Credit score 	<ul style="list-style-type: none"> Savings track record 	<ul style="list-style-type: none"> Risk tolerance Portfolio allocation, including risk and return metrics 	<ul style="list-style-type: none"> Current charitable giving Estate planning objectives
What does it mean for me?	<ul style="list-style-type: none"> Trends identified Areas of excess spending identified 	<ul style="list-style-type: none"> Understand probabilities and implications 	<ul style="list-style-type: none"> Debt service metrics Impact of credit score on life events 	<ul style="list-style-type: none"> Ability to set aside funds and ability to meet goals 	<ul style="list-style-type: none"> Probability that investment strategy will achieve goal 	<ul style="list-style-type: none"> Ability to have an impact on current and future generations
Establish targets and develop plans	<ul style="list-style-type: none"> Spending plan Income enhancement strategies Tactics for variable income 	<ul style="list-style-type: none"> Targets for Insurance coverage and deductibles and emergency savings 	<ul style="list-style-type: none"> Debt reduction plan Credit score improvement strategies 	<ul style="list-style-type: none"> Savings plan that matches short-term and long-term goals 	<ul style="list-style-type: none"> Asset allocation consistent with risk tolerance 	<ul style="list-style-type: none"> Charitable objectives Care for minor children Objectives for heirs
Implement changes	<ul style="list-style-type: none"> Establish budget values 	<ul style="list-style-type: none"> Purchase/adjust insurance levels Establish emergency savings 	<ul style="list-style-type: none"> Set up automatic payment Escalate debt reduction Manage credit score triggers 	<ul style="list-style-type: none"> Set up or adjust savings Retirement vehicles (401K/IRA) Education (529) Liquid savings (SAV/CD, bonds) 	<ul style="list-style-type: none"> Adjust asset allocation Establish review triggers 	<ul style="list-style-type: none"> Establish will Execute giving plan, including trust vehicles
Track progress	<ul style="list-style-type: none"> Provide regular reporting Implement correct actions when needed Anticipate evolving customer financial needs 					

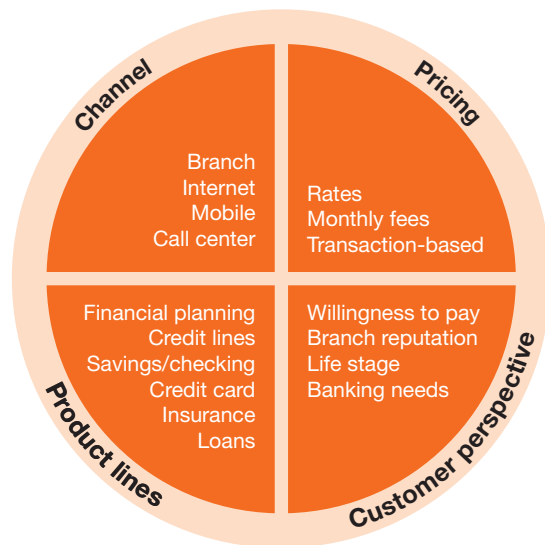
Develop product, service, and channel strategy

Use robust customer analytics to support strategic decision making in areas such as pricing, new products and services, rewards, and delivery channels.

As financial institutions analyze the mass affluent market, they should consider bundling products to quickly adapt to unique customer needs. When customizing product bundles, the financial institution should take into account how different products, delivery channels, pricing, and customer perspective complement each other.



Components of product design

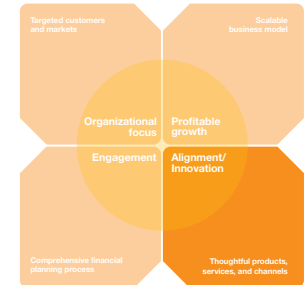


Employing agile product bundling:

- **Understand customer segments and product or channel preferences, profitability, and price sensitivity.**
- **Develop a modular, dynamic product development process**—By breaking down products into a set of shared product features, customized products can have timely delivery without sacrificing quality or creating conflict across multiple product lines, channels, and functions (such as IT, marketing, legal, and other stakeholders).
- **Bundle products**—Create product bundles based on the demands of the customer segment, the type of product or feature desired, and how well the products complement each other.
- **Unify the technology infrastructure**—Enable integrated offerings and quick rollout of product bundles by creating a unified product repository that stores all product data and rules from legacy systems or product silos. The technology infrastructure should provide reporting processes to monitor the terms and conditions of each product bundle (such as minimum deposit balance).

Develop product, service, and channel strategy

Reshape products and services to address identified customer needs, and assess the ability of the front, middle, and back offices to deliver them.



Customer needs (examples)

Cash flow and financial condition

Set monthly cash flow goals and monitor progress against goals.

The unexpected

Plan for unexpected expenditures through insurance and/or emergency funds.

Debt and leverage

Set short-term debt reduction goals to achieve long-term results. Use debt appropriately and understand its effect on other lifetime goals.

Save

Develop a savings program for both short- and long-term goals and monitor and adjust monthly savings for life events.

Invest

Understand the risks and rewards of investments and how they support short- and long-term goals.

Legacy

Create annual charitable giving goals and consider long-term estate planning goals.

Products/services

- Payment vehicles
- Checking
- Expenses and budgeting

- Insurance (all forms)
- Savings

- Mortgage/HELOC
- Credit card
- Auto loan

- Savings/MMS
- CDs/CD IRAs
- Brokerage

- Advisor-based plans
- Self-directed capabilities
- Hybrid models

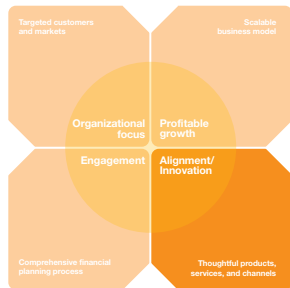
- Will preparation
- Estate tax planning
- Systematic giving plans

Front-, middle-, and back-office operations

Product & geography	Wealth, lending, and other products, domestic versus international focus
Distribution channels	Local office/branch call center, relationship executive, online, social networking (Facebook, Twitter)
People	Financial advisor and support model, compensation
Relationship management	Marketing, fulfillment, tracking, compliance
Financial planning	Estate, personal/corporate tax, modeling, reporting, educational, nuptial, philanthropy
Portfolio management	Portfolio monitoring, tracking, due diligence, performance attribution, analysis
Reporting	Individual/aggregate performance, scenario simulation, risk
Account opening	On-boarding, conversion, expansion
Trading	Trade entry, trade order management
Loan administration	Tailored lending, venture capital, insurance, annuities
Accounting	Portfolio, performance
Asset servicing	Custody, fund accounting, trustee, risk analytics, performance benchmarking
IT infrastructure	Application interfaces, external data communications, automation

Develop product, service, and channel strategy

Establish a consistent experience across all channels while directing customers to their channels of choice. Additionally, penetrate targeted market segments.



Since most customers interact with their financial institutions through multiple channels, institutions should deliver a consistent and efficient experience across all channels. In addition, institutions should develop channel-specific strategies that capitalize on the distinct and complementary role of each channel. Financial institutions must

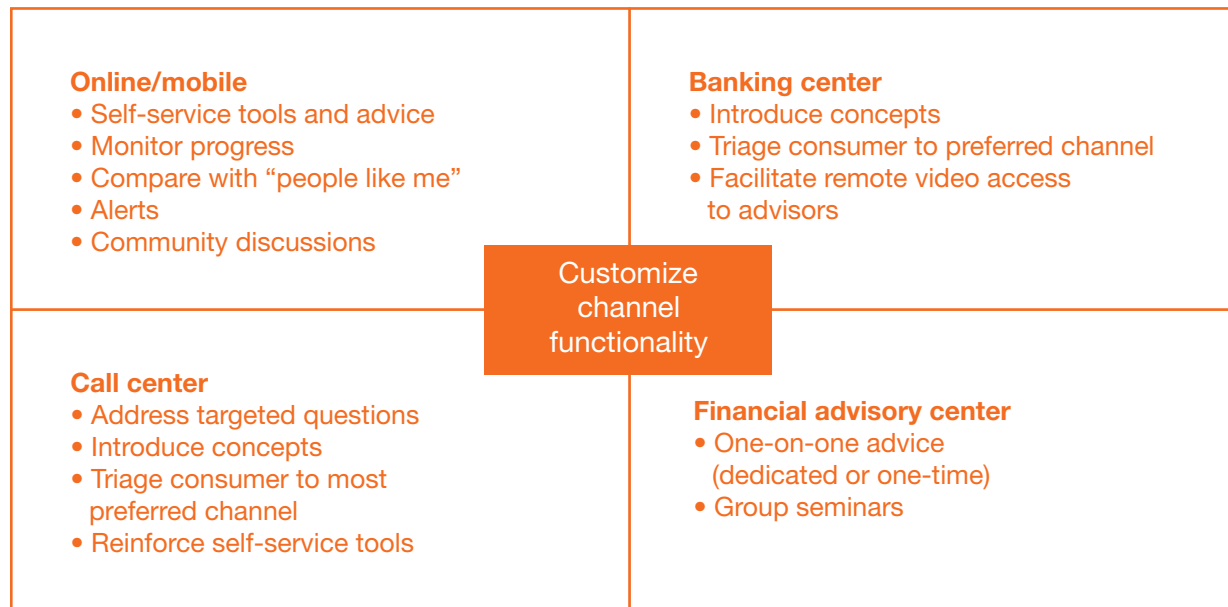
also remember to focus their efforts on properly penetrating targeted market segments.

Implementing cross-channel distribution

- **Measure first-contact resolution across all channels.** When customers use self-service tools through one channel—for example, transferring funds through the mobile device after they receive a low-balance alert—are they able to complete their transactions successfully through that channel, or do they often end up switching to the online or call-center channel?
- **Test and learn what works when it comes to actively shaping customer behavior.** Employ education, peer analysis, segmentation, channel integration, and process redesign.
- **Bring all channel delivery groups under the same organizational umbrella.** While changing the organizational structure and reporting of channel groups is not easy, it is the surest way to align channel strategies, streamline costs, and create channel-specific functionality that complements other channel objectives.

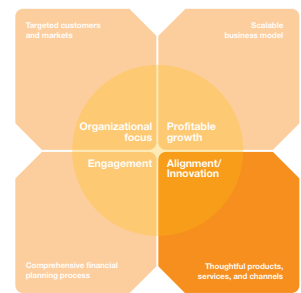
Establish penetration of target segments

- **Use a geographic view of customer segments.** This action can facilitate the delivery of those financial planning services that leverage face-to-face interactions.



Develop product, service, and channel strategy

Take a deep dive into a geographic view of target customer segments.



That doesn't mean that the physical branch should be ignored. In fact, customer preference for face-to-face interactions vary widely by customer segment and by location.

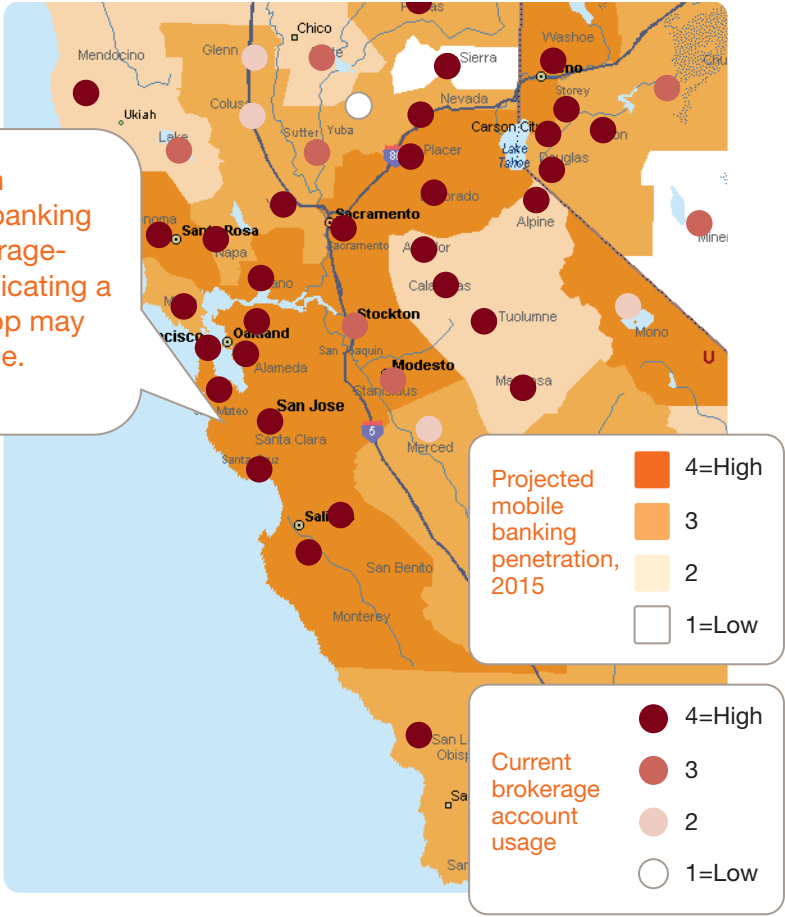
Channel preference scale

4=High
3
2
1=Low

County	Stores	ATM	Mail/Phone	eChannel
County #1				
County #2				

Many areas with a high propensity for mobile banking also have a high brokerage-account user base, indicating a brokerage-servicing app may have a compelling value.

As affluence increases, so does the demand for thoughtful and sophisticated digital channels.



How PwC can help



*Our capabilities and
tailored approach.*

What makes PwC's Financial Services practice distinctive.

Integrated global network	PwC's Financial Services practice consists of more than 34,000 industry-dedicated professionals worldwide, including more than 4,500 in the United States. They serve large and multinational banks, insurance companies, investment managers, broker-dealers, hedge funds, and payments organizations. The US Financial Services practice is part of the PwC global network of firms, which has clients in more than 150 countries.
Extensive industry experience and resources	PwC serves more of the largest and most complex financial services companies than any other firm. We understand from personal experience the wide variety of business issues that affect the industry, and we apply our knowledge to our clients' individual circumstances. Moreover, our large, integrated global network of industry-dedicated resources enables us to apply this knowledge on our clients' behalf whenever and wherever they need it.
Multidisciplinary problem solving	The critical issues financial service companies face today affect their entire businesses. Addressing these complexities requires both breadth and depth, and PwC service teams include specialists in risk management, compliance, technology, business operations, finance, change and program management, data and business analytics, economics and analysis, internal audit, tax, forensics, and investigations.
Practical insight into critical issues	In addition to working directly with clients, our practice professionals and PwC's Financial Services Institute (FSI) regularly produce client surveys, white papers, and points of view on the critical issues that face the industry. These publications—as well as the events we stage—provide clients new intelligence, perspective, and analysis on the trends that affect them.
Focus on relationships	PwC's size, financial stability, and 150-year history all contribute to our long-term view of client relationships. We help clients translate strategy into action by helping them address their challenges in finance, tax, human resources, operations, technology, and risk and compliance.

How PwC can help.

Getting started is frequently the greatest challenge. The good news is that multiple starting points exist. PwC recognizes that each organization will travel the path of change differently. PwC works with our clients to find that path and to establish organizational support to sustain a long-term strategy.

Customer health diagnostic	PwC will conduct a quick current-state assessment to determine how your organization stacks up against a broad range of competitors (not just peer institutions) in your quest to gain wallet share from mass affluent consumers. We will evaluate products offered, delivery channel design and execution, technology enablers for your customers and employees, and the strength of your people processes. At the end of this diagnostic, you will have a clear understanding of areas requiring your team's attention.
Scalable business model development	PwC will work with you to design a scalable business model and customer experience strategy based on competitive evaluation, market/economic projections, analytics and an internal capability assessment. We will build a compelling business case to support this transformational change and to align your stakeholder community (including lines of business, operations and all product teams) to execute that strategy.
Talent enhancement	PwC will leverage its people and change experience to evaluate and make recommendations for improving your organizational sales culture through skill realignment, updated hiring strategy, training and compensation or incentive restructuring.
Customer analytics	PwC will help you develop a better understanding of your mass affluent customers' needs and preferences and prioritize investments and projects which focus on delivering enhanced value for both the customer and the institution. This understanding will be gained by leveraging demographic, interaction, and behavioral data to identify potential gaps and opportunities for improvement from the customer's perspective. If appropriate, PwC's Demand Estimator will be used to identify market potential by product and channel utilizing a combination of internal client data and external proprietary information.
Co-creation	Co-creation goes beyond traditional strategy by taking a holistic, dynamic perspective. We can help you leverage community-engagement platforms to design products and new business models that uniquely meet the needs of the mass affluent by influencing their financial futures.
Economic analysis and scenario planning	With changing customer demands and expanding regulatory oversight, several factors continue to create uncertainty. Economic analysis and scenario planning helps you to proactively anticipate and plan for future challenges and to identify mitigation tactics as well as opportunities to improve customer return on investment.

Appendix



Select qualifications.

Evaluating the scope and trends in financial planning—US online brokerage firm

Issues

The client had a successful business in online brokerage, but wanted to expand its service offerings to include financial planning as a way to retain and attract affluent customers.

As a prerequisite to designing a financial planning service, the client needed to evaluate the state of the industry and assess key success drivers.

Approach

PwC helped the client develop an analytical framework for assessing the scope and trends in financial planning service offerings, and identified leading firms across four distribution channels.

PwC helped the client analyze the financial planning services offered by these leading firms, evaluated the scope and quality of these services, and then determined the key success drivers and design parameters.

PwC helped the client to identify gaps in competitive offerings and provided inputs into the client's design process for their financial planning service.

Based on this analysis, PwC helped the client develop an Internet-based planning service as a way to kick start the product introduction.

Benefits

The client was able to design a robust business model from which to deliver financial planning services to its clients. The client was able to pilot its initial design elements by leveraging an existing service offered by PwC.

Redesigning online services to support a robust financial planning capability—Top US bank

Issues	<p>This top US commercial and retail bank had the leading US bank presence on the web. However, the bank's strategic lead was narrowing as other banks invested in e-commerce infrastructures. The bank's existing web design and platform constrained the business's ability to meet new customer acquisition, relationship development, and product sales and serving requirements in a secure and reliable environment.</p> <p>The bank asked PwC for assistance in establishing an appropriate business architecture to guide its web redesign, as well as a new vision for incorporating financial planning into a holistic, channel-neutral business approach.</p>
Approach	<p>PwC helped the client identify the core elements of the business architecture required to support a robust online financial planning capability that would drive customer engagement and create a seamless transition between online and physical channels.</p> <p>The enterprise business architecture was designed to be leveraged across all channels to achieve a seamless customer experience. It also identified and eliminated process silos isolated within organizational boundaries and driven by product constructs.</p>
Benefits	<p>The client was able to articulate a thorough vision for a client-centric financial planning process that leveraged all of the tools available online and created a gateway to transition client engagement from online and mobile capabilities to advisory-focused advice.</p>

Devising a customer-centric organizational transformation— Diversified financial institution

Issues	<p>To address competitive threats and reverse stagnant growth in its commercial lending and insurance divisions, a diversified financial services company wanted to realign itself from a product-centric organization to a customer-centric organization. The organization was losing market share to its competitors because it lacked a market- and customer-oriented approach. Sales force productivity was declining due to the firm's inability to cross sell across disparate lines of business. In addition, the firm's sales, service, and marketing organizations operated in silos, resulting in lost opportunities and customer dissatisfaction.</p>
Approach	<p>PwC assessed the client's situation and helped it develop a transformational change roadmap to move the financial institution towards its customer-centric vision. Implementation areas included:</p> <ul style="list-style-type: none">• Customer segmentation and segment specific strategies• Segment-centric business model design• Sales force realignment—process, territory, roles and responsibilities, structures, tools, and KPIs• Sales, service, and marketing integration• Customer interaction and scenario mapping• Organizational change management
Benefits	<p>The client was able to create a foundation for winning back several key customers and to deliver improved financial performance by:</p> <ul style="list-style-type: none">• Improved cross-selling in newly defined customer segments• Clarity of marketing and sales roles and responsibilities• Improved marketing, sales, and service collaboration in managing the customer lifecycle• Better understanding of current and potential customer value• Better alignment of client resources to manage customers

Transitioning from retail to wealth management business model—Leading securities company

Issues	<p>This client wanted to transform from a retail business to a wealth-management business model because of narrowing profit margins in its traditional brokerage line. At the same time, the client wanted to improve its customer service capabilities.</p>
Approach	<p>PwC assessed the client's needs and helped it design a wealth management business strategy and a customer service model that could be supported by better customer data analytics.</p> <p>For the wealth management business strategy, the PwC project team helped the client clearly define its wealth management customer segments, product and service offerings, fee structure, channel utilization, client coverage model, as well as business collaboration and IT support capabilities.</p> <p>For the customer service model, PwC helped the client design an overarching model that standardized collaboration methods across the firm's business units, including brokerage, asset management, investment banking, equity capital markets, debt capital markets, futures, and international business.</p> <p>For customer data analytics, PwC advised the client on methods of achieving better customer insight and targeted sales through customer life-time value calculations, customer risk-tolerance assessments, customer attrition, and cross-sell predictions.</p>
Benefits	<p>Using enhanced data analysis, the firm improved the relevance and effectiveness of its data analysis capabilities.</p> <p>The new wealth management business model served as the blueprint for the client's retail business transformation, which started immediately after the completion of this project.</p>

Improving a customer experience strategy—Leading financial institution

Issues

This client enjoyed above-average customer satisfaction, but was at risk of losing market share to competitors because of low product penetration and ineffective market segmentation.

Approach

PwC helped the client develop a customer experience strategy as part of an overall strategic plan to strengthen customer relationships. PwC collaborated with the client in performing the following tasks:

- Interviewed the senior executive team to understand current issues and challenges, and to determine key drivers and support for various experience drivers and elements.
- Facilitated multiple executive workshops to consider various scenarios for a future state. Key elements driving the customer experience were identified and considered for fit with overall strategy and vision.
- Undertook an organization impact assessment that took into account the required capabilities for improving customer experience.
- Undertook an analysis to assess the associated cost and benefits for delivery of required capabilities across the customer base.
- Developed an implementation roadmap to facilitate timing and prioritization of required capability-enabling initiatives.

Benefits

The client adopted the customer experience strategy that PwC helped develop, and the strategy eventually contributed to a 5 percent increase in the firm's profitability.

Providing a wealth management platform assessment—Leading global bank

Issues	The client's wealth management division sought out 1) an independent analysis of its strategic options and 2) an assessment of potential vendors to support its global wealth management platform.
Approach	<p>PwC helped the client perform a high-level assessment and develop a shortlist of potential candidates under each of the three alternative options (global solution provider, specialist technology components, and cooperative initiatives).</p> <p>PwC collaborated with the client in performing the following tasks:</p> <ul style="list-style-type: none">• Analysis of the existing global service providers for potential outsourcing of wealth operations and IT vendors to leverage capabilities in financial planning software and tools and in customer reporting.• Assessment of the service providers and vendors, including a high-level review of the client's wealth management business model.• Analysis of more than 30 third-party providers and assessment of the options against the client's strategic business objectives.• Senior management workshops to<ul style="list-style-type: none">– Share knowledge and findings from the research– Obtain initial client thoughts on the vendor options and business model– Discuss the most appropriate implementation path <p>Given the global nature of the engagement, PwC drew on both local and international specialists to provide the client with both technical insights as well as experience from previous wealth management technological transformations. In addition, we frequently shared lessons learned from global small- and medium-sized enterprises with similar experiences.</p>
Benefits	Based on PwC's findings and recommendations, the client was able to make informed strategic decisions and work to implement the desired business model.



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