fs viewpoint

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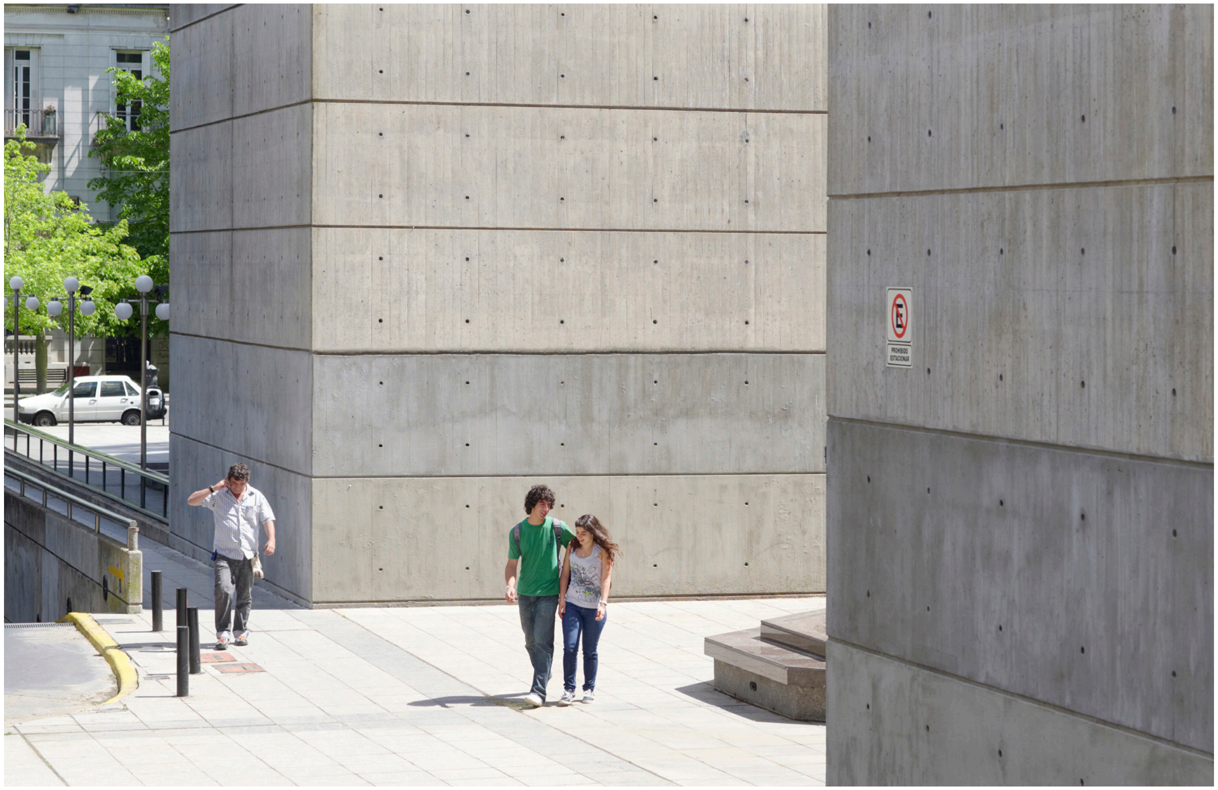
Fortune favors choice, not chance:
How wealth management firms can pave the way to growth in new and emerging markets

pwc

Point of view



With global wealth shifting toward emerging markets, wealth managers are under increasing pressure to rethink their growth strategies and to capitalize on new market opportunities.

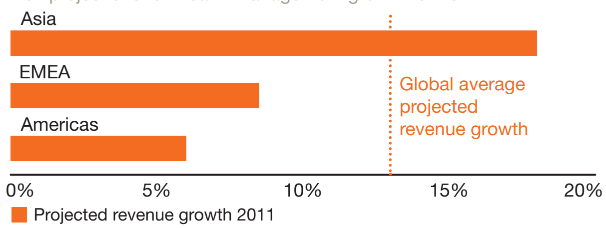
Banking power shifts from the G7 developed to the E7 emerging economies are triggering a shift in the wealth management industry.

Globalization of wealth and regulatory changes in the market are having an impact on creating fast-rising, non-traditional banking centers.

Projected revenue growth in emerging markets is far outstripping that of developed markets, and Singapore is expected to be the leading global wealth management center by 2013.

Global average projected revenue growth

Based on respondents' answers to the survey, we analyzed their projections for wealth management growth for 2011.



PwC, Anticipating a new age in wealth management: *Global Private Banking and Wealth Management Survey 2011,* June 2011, www.pwc.com. Note: Survey participants include private banks, wealth management providers, and global insurers. See page 45 for examples.

Wealth managers are facing strong catalysts for, and obstacles to, international growth. For example:

International investors are demanding more. Investor demands for portfolio diversification means not just a mix of assets classes, but also a mix of geographies.

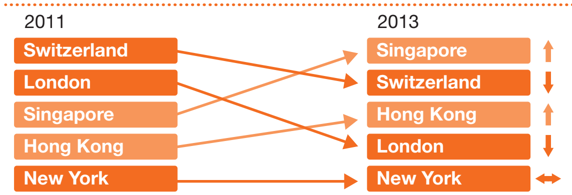
There is ongoing pressure to catch up or shore up positions in increasingly competitive markets. A number of international wealth managers have already made inroads into emerging markets and are penetrating new growth.

The cost of doing business (even in emerging markets) is rising. Wealth managers are seeking cross-border collaboration opportunities with other financial institutions and are using alternative distribution channels to drive sustainable growth.

Executives are seeking new ways to drive revenue and investment return. With domestic revenues and margins under pressure, executives are anticipating more collaboration across international business units.

International wealth managers see Switzerland, London, and New York challenged by the rise of Singapore and Hong Kong.

Projected top five financial centers—2011 to 2013



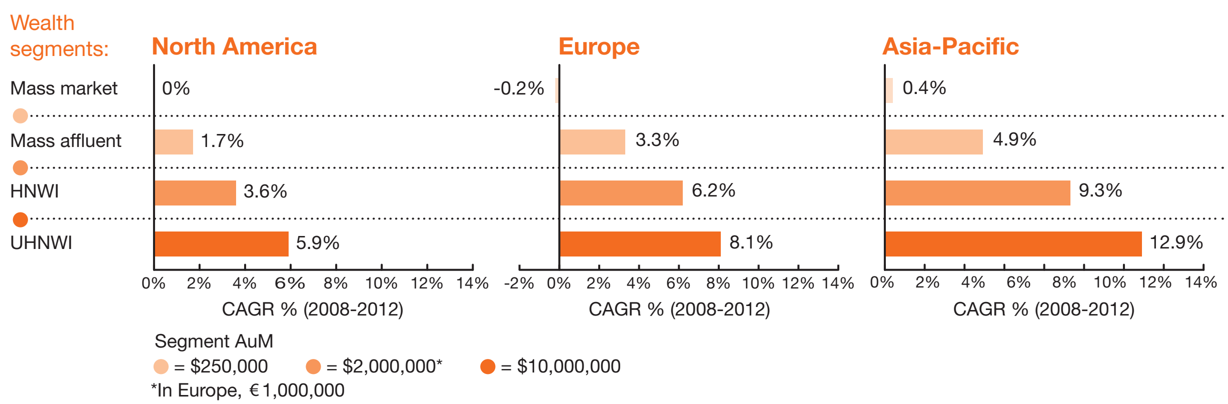
PwC, Anticipating a new age in wealth management: *Global Private Banking and Wealth Management Survey 2011,* June 2011, www.pwc.com.

Demand for wealth management is on the rise globally, especially within the high and ultra-high net worth customer segments.

The number of high net worth individuals is growing.

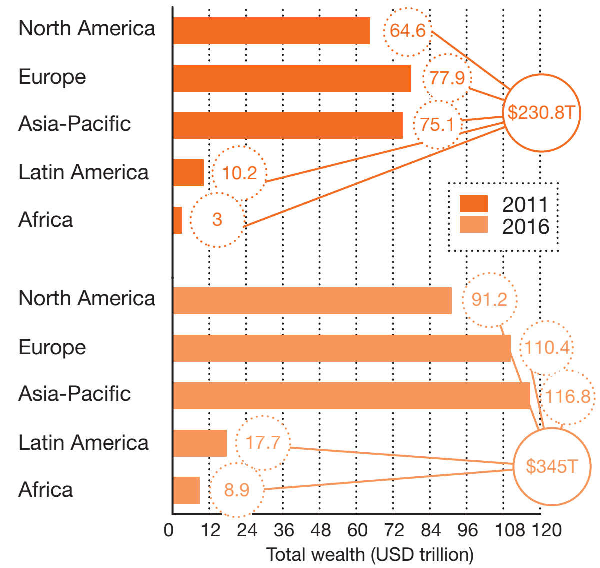
From 2008 to 2012, wealth grew fastest in the Asia-Pacific region. Across all regions, the growth of both the high net worth and ultra-high net worth customer segments outpaced that of the mass market and mass affluent segments. By 2016, total wealth in Asia-Pacific is predicted to be US$116.8 trillion, and to have surpassed that of Europe (US$110.4 trillion).

Growth in wealth segments



Source: PwC calculations based on data provided by Isabella Fonseca and Arin Ray, *Wealth Management Business and IT Priorities for 2010: A Global Perspective,* Celent, a division of Oliver Wyman, January 2010, www.celent.com.

Global wealth is forecast to grow 8.4% year over year reaching ~$345T by 2016



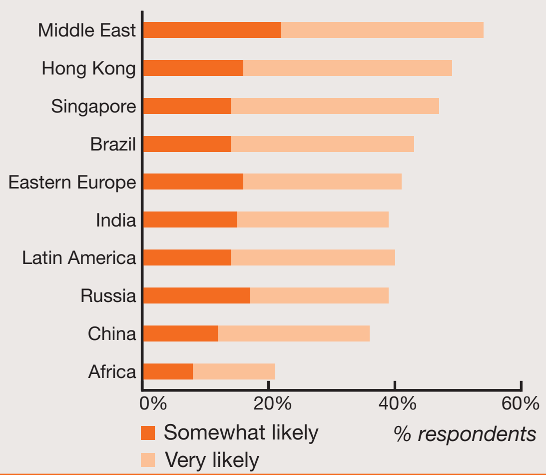
Source: PwC calculations based on data provided by Credit Suisse, Global Wealth Report 2011, Research Institute, October 2011, www.credit-suisse.com.

Shifting demographics will present potential new sources of growth for wealth management firms, but success will depend on developing the right strategy for each specific market.

According to PwC's 2011 Global Private Banking and Wealth Management Survey, over 50% of respondents plan to expand operations to new geographic markets over the next two years.

Respondents are looking to emerging markets and Asia for growth.

How likely are you to target new clients/new assets under management (AuM) in the following countries/regions in the next 2 years?[1]



The success of wealth managers will depend largely on understanding the unique preferences and priorities of wealthy individuals in local markets.

Region	Insight	Implications for wealth managers
Latin America	Greatest degree of income inequality, with the richest 10% holding 60-70% of total wealth.[2]	*Wealth managers should leverage connections established with expanding corporations and businesses in order to reach HNWIs.*
North America	Largest number of HNWIs, possessing 37% of the global HNWI population. Average wealth levels, however, are still recovering and remain below 2006 levels.[3]	*Slowing growth and an aging population will result in customers wanting to focus on wealth preservation and intergenerational wealth transfer.*
Africa	Over the next five years, wealth in Africa is projected to rise by 90%. South Africa is a model for many other African markets, with an established stock market and sophisticated insurance and pension industries.[3]	*Wealth managers should leverage connections established with expanding corporations and businesses in order to reach HNWIs.*
Asia-Pacific	Anticipated large increase in HNWIs in the coming years; China expected to surpass Japan as the second wealthiest country by 2016.[3,4]	*Wealth is often spread across multiple competitors. To grow share of wallet, wealth managers should focus on creative/effective client development and servicing models.*
Eastern Europe	Eastern European households have the highest growth rate over the past decade (average 16% annual growth rate in assets); many UHNWIs are self-made.[2,5]	*Wealth managers should focus on making connections to potential customers through retail banking products, such as loans and cards, and utilize web/social media channels to target new wealth.*
Middle East	Oil-rich nations rapidly driving growth in UHNWIs and families; ~42% UHNWIs self-made vs. ~58% inherited.[5]	*Wealth managers should leverage connections to investment banking capabilities and focus on local talent with Islamic finance knowledge.*
Western Europe	Limited change in population of HNWIs year over year. Wealthy are typically older (e.g., UHNWI average age is 74 years in France vs. 50 years in China).[3,5]	*Slowing growth and an aging population will result in customers wanting to focus on wealth preservation and intergenerational wealth transfer.*

1 Based on unpublished PwC survey data from "Anticipating a new age in wealth management: Global Private Banking and Wealth Management Survey 2011," June 2011, www.pwc.com.

2 Allianz, "Global Wealth Report 2011," Economic Research and Corporate Development, July 31, 2011, www.allianz.com.

3 Credit Suisse, "Global Wealth Report 2011," Research Institute, October 2011, www.credit-suisse.com.

4 PwC, "Grow a Tree for Ten Years; Grow Men for a Hundred: How Private Banks Can Nurture Human Talent to Prosper in China," May 2012, www.pwc.com/fsi.

5 Société Générale, "Driving Global Wealth - Mapping UHNWI Around the Globe," a study by Forbes Insights in association with Société Générale Private Banking, 2011.

Before deciding which countries to enter, leading wealth management firms perform a holistic assessment of various market entry opportunities.

A detailed country assessment should include both a quantitative analysis and an examination of qualitative information, such as organizational fit, business model fit, and regulatory regimes. We have observed that leading wealth management firms do the following:

- Perform tailored assessments of markets to account for the uniqueness of the organization and business model.
- Assess market opportunities using balanced macro-, micro-, and industry-specific data and understand local, regional, and international perspectives.
- Develop a "story" for each individual country that outlines why it has been prioritized. It is not just a matter of numbers and scores.
- Perform business case and scenario analyses to inform decision making and planning.
- Engage talent with the appropriate skill sets (such as regulatory specialists, tax specialists, market/sector specialists) to address the complexities of international growth.
- Incorporate perspectives from across the management team—product, marketing, finance, IT—to ensure that international footprint decisions are aligned with institutional strategic objectives.

Example growth strategies:

Acquisition—Major European wealth manager acquired a Brazilian firm to rebuild presence in Brazil and expand footprint in Latin America.

Partnership—Major UK bank launched a joint venture in Japan to demonstrate established reputation and trust.

Build on existing footprint—A US wealth manager opened an office on Al Maryah Island in an effort to expand private banking operations in the Middle East, tapping into the rapidly growing Gulf wealth.

Overall, a robust assessment of potential market entries involves a holistic, detailed examination of each country that considers both the inherent opportunities and the risks.

Leading wealth managers are balancing future growth opportunities against their risks.

Opportunities

New viable markets	• Sustained growth and new assets under management.
Broader consumer base	• Expansive and diverse consumer base helps to build robust and complementary strategies.
Greater market accessibility	• Establishing a presence in one market can unlock opportunities in other markets.
Competitive advantage	• Expanding abroad can create new capabilities, channels, products, and efficiencies.
New value propositions	• Adapting to new and different markets can translate to new ways of delivering value.
Cross-sell/up-sell potential	• Newly developing economies present an opportunity to strengthen brand and cross- or up-sell.

Risks

Increased competition	• Multinational firms and new domestic entrants are rushing into emerging markets.
Complex regulation	• The financial crisis spawned new regulations, especially across the developed world.
Market instability	• Emerging markets may not yet have stable political, regulatory and/or economic institutions.
Talent constraints	• Labor pool may be inflexible or lack sufficient skills/education.
Licensing complexities	• Ease of doing business may be constrained by region-specific, slow, intricate, or non-transparent legal barriers.
Business model complexity	• Operational challenges, such as lack of infrastructure or poor integration with existing businesses, may exist.

Beyond the BRIC (Brazil, Russia, India, and China), countries such as **Mexico, Indonesia, Turkey, South Africa**, and **Vietnam** potentially offer significant growth prospects for wealth managers.

While political and regulatory risks can be significant in these emerging markets, the decline of state-owned entities, abundant natural resources, and economic reform agendas will spur economic activity, establishing the conditions for wealth creation.

By following a structured approach that makes use of detailed information, data, and analytics, we believe it is possible to lower the risk of market selection and help executives determine an effective international footprint for an institution.

"While many CEOs naturally gravitate toward the prospect of opportunity, their optimism about emerging-market potential needs to be moderated by healthy realism and sound strategic planning and execution."

PwC Resilient Growth—Making the most of opportunities away from home

Leveraging both qualitative insights and quantitative analytics provides a degree of clarity and structure to country prioritization. In doing so, executives can focus on the overarching question of which countries will provide the greatest return on investment.

"The most profitable wealth managers will be those that meticulously tailor their international investment approach and service offerings according to market segmentation, making them able to adapt their services and capture greater profits accordingly."

PwC Global Private Banking and Wealth Management Survey 2011

PwC's approach includes:

- A structured methodology that is transparent and defensible to increase the quality of decision making.
- A consistent methodology to help ensure that recommendations are aligned across the management team.
- A framework for comparing multiple countries.
- A repeatable process that provides the institution the option of updating the strategy at any point in the future.
- Seasoned partners and senior staff in each region/geography that provide local market context and perspective.

This approach results in the following outputs:

- A prioritization of countries that is customized based on criteria and dimensions that are important to the organization.
- A holistic perspective for the organization, including investment time frames to capture short- and long-term opportunities.
- The ability to separate cultural, emotional, or other biases from country prioritization.

*Firms are finding that they need to adapt to different cultures as well as solve a number of operational issues when "going global." New regulatory regimes further complicate matters.**

Game-changing economic and demographic trends are forcing firms to make international expansion a critical element of their growth strategy.

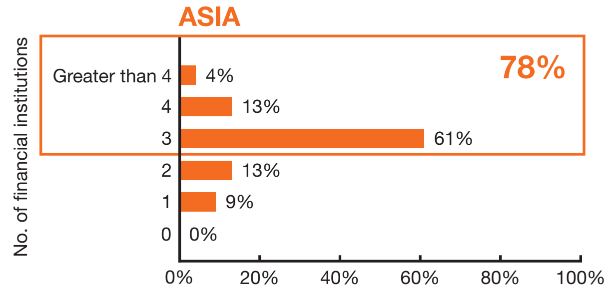
Complexities of operating internationally	Common obstacles/key considerations	Example solutions
Varying regulatory environments	• Restrictions on products and services (for example, unique disclosure benchmarks for complex products in particular markets). • Variations in regulatory reporting (for example, Europe's Markets in Financial Instruments Directive, US Sarbanes-Oxley Act). • Licensing requirements (for example, in China, onshore business allowed only through local joint venture). • Tax complexities.	• Local partnership/acquisition strategies. • Cross-competency engagement in market strategies. • Globally connected cross-competency teams. • Local relationships with regulators.
Disparate investing cultures and "accessibility" of wealth	• Differing investment preferences and strategies (e.g., Asian market strong preference for home-market investing, as well as cash and deposits). • Differing investor relations (for example, "advisory" vs. "brokerage" relationships). • Differing investor expectations around value-added services (for example, many high-net-worth individuals in China are seeking services such as global insurance, assistance with school admissions, and immigration advice). • Variations in product demands (for example, cutting down on high-risk products in Europe and the United States, Asia demanding structured products). • Multiple language requirements.	• Prioritize recruitment of local talent into executive ranks. • Detailed understanding of local customer investment needs and preferences. • Willingness to vary product offerings to suit regional nuances (for example, preference equities over fixed income). • Flexible business models.
International operating model implications	• Propensity for active vs. passive engagement investment strategies. • Alternative pricing across markets. • Availability of talent. • International brand recognition. • Tax consequences of multi-market investment. • Distribution networks (such as propensity for digital vs. retail).	• Shared services strategies. • Flexible operating and service models. • International information sharing. • Leveraging technology as a differentiator (such as robust cross-business referral management).

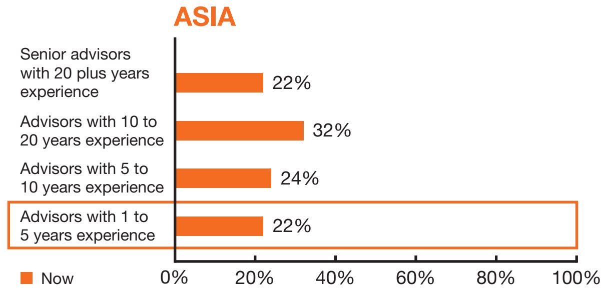
* For more information and publications on regulatory issues visit www.pwcregulatory.com

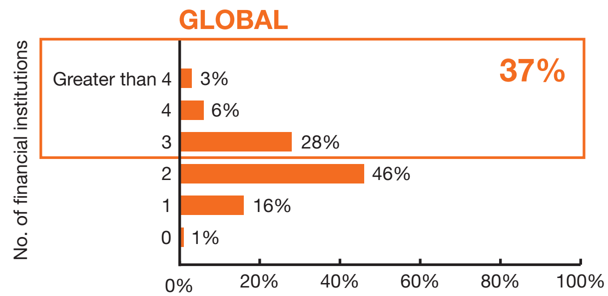
For example, our experience in Asia suggests that adjusting to the disparate investing behaviors and accessing the right talent are key success factors in growth, but both present significant operational challenges.

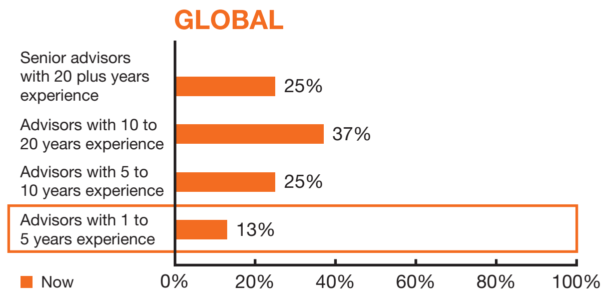
Clients in Asia have more "shopping" power: 78% of Asia's clients have relationships with three or more financial institutions, compared with only 37% globally.

In addition, Asia typically has more assets managed by less-experienced advisors; 22% were managed by advisors with 1–5 years of experience. Globally, the 1–5 year advisor bracket is very low at 13%.



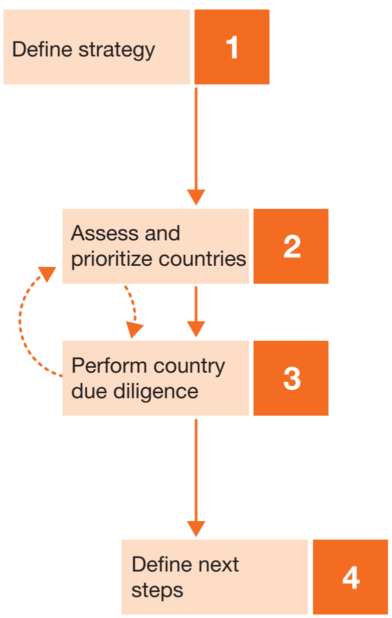






Source: PwC, Anticipating a new age in wealth management: Global Private Banking and Wealth Management Survey 2011, June 2011, www.pwc.com.

PwC's four-step approach to international expansion starts with defining the strategy and ends with actionable recommendations on next steps.



Our four-step approach includes a careful examination of the country, industry, and corporate dynamics.

This allows management to thoughtfully balance risks and opportunities and make informed decisions before entering a market. As such, this publication will focus on steps (2) Assess and prioritize countries, and (3) Perform country due diligence.

	Key considerations	Sample indicators
Country dynamics	• What is the size of the country GDP? What is the growth outlook? • Is there political risk or a high corruption rate that could potentially impact business stability? • How well do demographics reflect the target customer base? What are their buying behaviors? • Is there access to a skilled workforce to support growth? • How rapid is technology adoption?	• GDP growth/forecast. • OECD rating/corruption index. • % market share. • Median age. • University enrollment. • Infrastructure maturity.
Industry dynamics	• What is the size of the industry? Is it growing or shrinking? • What is the current basis of competition in the market? • Who is gaining/losing market share? What are their strategies? • Is the regulatory environment challenging or changing? • What are their distribution strategies? Are there new innovations?	• Industry size (such as addressable assets). • Industry penetration (% income, savings). • Population of target segment. • Product mix and penetration. • Regulation outlook. • Global vs. local competition.
Corporate dynamics	• What is our future ambition for global penetration? • What is our current market and regional presence and performance? • How does the country align to our future ambition for growth? • What is our organization's appetite for risk? • What is the potential fit with our current products? Current business design? • How well is the organization equipped for cultural or language differences?	• Organization footprint. • Product set and market distribution. • Business model flexibility. • Sales and profit growth. • ROI by market. • FTE distribution.

Competitive intelligence

Our observations of industry practices.

While international growth is a top priority for many leading wealth management firms, lack of comprehensive market, industry, and corporate fit due diligence is hindering the success of some.

Leading practice areas	What we observe in the industry		
Understanding market dynamics	**Economy**—Wealth management firm responded to damaged investor confidence and high market volatility in the United States by shifting focus from scale/growth to client retention, emphasizing relationship building, personal client contact, and advice.	**Demographics**—Recognizing the importance of local market reputation and brand recognition for consumers in Japan, this bank's wealth management group launched a unique joint venture to leverage local market know-how and inherit the local firm reputation.	**Business environment**—Aligning investment with growth markets, this bank increased its stake in a major bank in China and expanded its footprint in India to gain a competitive advantage in capturing emerging market growth.
Understanding industry dynamics	**Distribution**—Leveraging its existing global network, this bank designed a multi-shore offering to serve clients who are focused on geographical risk diversification or seek access to global execution services.	**Demographics**—Based on the growing wealth in the Middle East, this bank established a section for managing wealth above US$1 million in line with the laws of Islamic finance (meaning interest-rate free and on a risk-shared basis).	**Regulation**—In 2008, misinterpretation of regulation caused a foreign bank to be fined US$780 million as it was prosecuted on charges of conspiring to defraud the IRS by helping wealthy Americans evade taxes through offshore accounts.
Considering corporate fit	**Global business design**—This bank proactively developed a global compliance framework to position itself with transparency and flexibility in responding to evolving regulation in the markets in which it operates.	**Products and capabilities**—This bank established a global investment products and services unit, bringing together experts from wealth management, global asset management and the investment bank to drive synergistic, cross-border sales.	**Global business design**—This bank's business model of aggressive expansion through takeovers in various countries led to a sprawling, inefficient business with limited synergies.

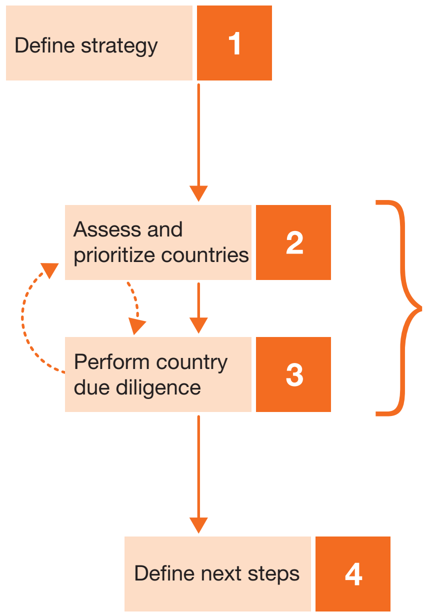
Leading On par Lagging

A framework for response

Our recommended approach to the issue.

Adopt the right approach and supporting tools in order to navigate country complexities and increase the quality of decision making in the expansion process.

Any changes in the strategic goals and objectives will force a change in the ongoing strategy refinement and alignment, including reassessment of countries, due diligence, and optimization.



To execute the approach outlined above, we have developed a proprietary analytical tool designed to help clients determine the appropriate markets for international expansion.

The Global Growth Radar—Enables market assessment and prioritization analysis using detailed country and industry data.

Define strategy

To help determine potential market entry opportunities, first examine strategic goals and objectives.

Strategic goals and objectives

A firm's strategic goals and objectives serve as inputs into the assessment and prioritization process, determining which potential countries should be analyzed for possible entry and identifying the most appropriate market entry opportunities.

There are several factors that will help firms determine their overall expansion goal, including:

- Level of risk the firm is willing to bear.
- Level of capital outlay the firm is willing to spend.
- Cost of capital and access to capital.
- Desired end size of international business units.
- Existing presence in international markets.
- Existing product mix and focus.

Once strategic goals and objectives have been set, these guide an initial set of high-level criteria to help narrow the search. For example, these criteria may reflect a desire to…

- Concentrate on specific products.
- Focus on a specific wealth bracket.
- Expand into given regions.
- Tap into certain macro trends.
- Leverage existing capabilities and expertise or develop new ones.

The short list of candidate countries then undergoes assessment and further prioritization.

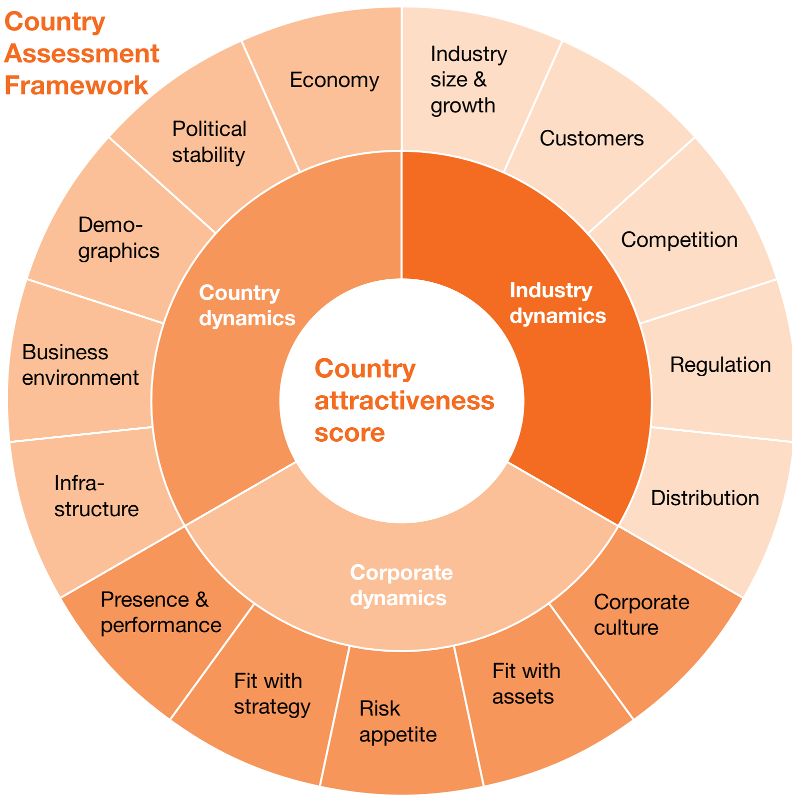
Any changes in the strategic goals and objectives will force a change in the ongoing strategy refinement and alignment, including reassessment of countries, prioritization, and due diligence.

Assess and prioritize countries

Compare, distinguish, and prioritize potential countries using the comprehensive Global Growth Radar Country Assessment Framework below.

The Country Assessment Framework subdivides the three dynamics (country, industry, and corporate) into categories for further assessment. The framework is flexible and can adapt to each individual firm's circumstances.

Country Assessment Framework



	Example considerations
Country	• What is the size of the country GDP? What is the growth outlook? • Is there political risk or corruption that could potentially impact business stability? • How well do demographics reflect the target customer base? • Is there access to a skilled workforce to support growth? • Can existing infrastructure support operations?
Industry	• What is the size of the industry? Is it growing or shrinking? • Who are the target customers? How large is the anticipated customer base? • What is the current basis of competition in the market? • Is the regulatory environment challenging or changing? • What are their distribution strategies? Are there new innovations?
Corporate	• What is our current market and regional presence and performance? • How does the country align to our future ambition for growth? • What is our organization's risk appetite? • What is the potential fit with our current products or our current business design? • Are there major cultural or language differences?

Assess and prioritize countries

Develop a country attractiveness indicator for each candidate country.

Country Assessment Framework

Each of the unique variables listed in the Country Assessment Framework is scored based on the factors that make it more or less attractive to the client.

Then, each of the variables' scores are weighed individually against the other variables in the category (in other words, infrastructure, business environment, demographics, political stability, and economy are all weighed against each other, as part of market dynamics).

This weighting is specifically tailored to the client, based on their unique context, depending on which variables are more relevant.

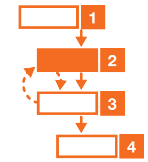
From there, a score is developed for each of the three categories. These scores are also weighted (again, based on specific client context) to determine a total Customized Attractiveness Score for each of the countries in consideration.

These scores are aggregated on a Country Scorecard, which is used to determine those countries that have the best overall scores in key categories.

Assessing countries:

Variable weightings are typically guided by the strategic goals and the risk appetite of the organization.

Expected shifts in variables over time should also be factored into the framework—particularly important for countries undergoing rapid change.

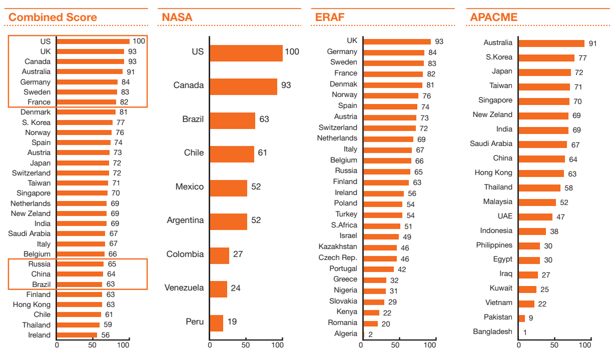


Assess and prioritize countries

Further refine results from the country assessment to develop a list of the best potential candidates for closer examination.

The Growth Radar tool leverages detailed country and industry data to rapidly execute a market assessment and prioritization analysis.

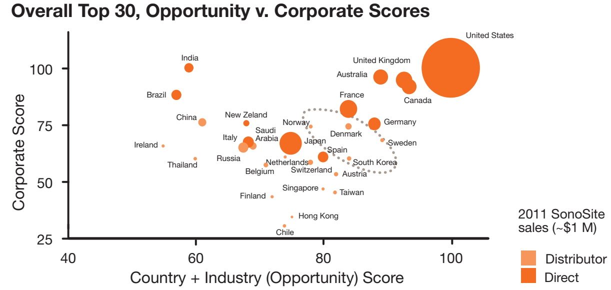
A. Relative country rankings



B. Country prioritization

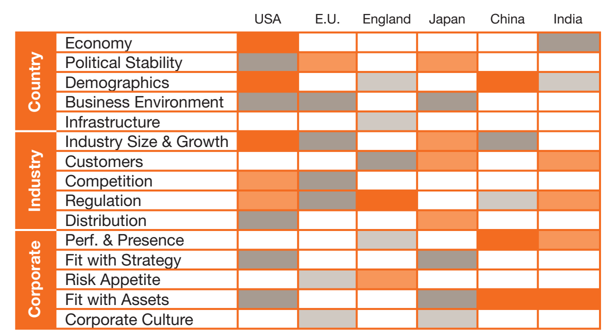
Using a breakdown of Opportunity v. Corporate Score, we began to identify countries where potential additional investment should be considered

Overall Top 30, Opportunity v. Corporate Scores



C. Customized country scorecards

Country Scorecard:



The Country Assessment Framework leads to the creation of comparative outputs, such as relative country rankings, customized country scorecards, and country prioritization charts, that assist in the examination of each prospective country's relative strengths and weaknesses.

Using these deliverables, specific candidates with the best overall combination of scores are selected for further due diligence.

Perform due diligence on priority countries

Conduct due diligence for each priority country, based on the results from the Country Scorecard and Country Prioritization.

Quantitative value driver analysis:

Uses available data about the countries in question to determine the size and maximum possible penetration of the inherent market. In addition, it will also determine total revenue potential and outline expected costs and cost drivers of entry.

Qualitative country deep-dive:

Presents the firm with a discussion of key factors to consider, including customer trends, products already available on the market, discussions of the competition, regulations in place, and existing capabilities or connections the firm may already have in the market.

Industry economics	Traditional market modeling of value chain and potential profit pools
Revenue potential	Dynamic modeling of market size, penetration, and pricing
Cost dynamics	Overlay of key cost drivers for COGS/suppliers and labor, as well as required investment

High-level business case

Business case and potential growth opportunities for entrance.

Customers	Customer segmentation and trends
Products	Market product portfolio and trends
Channels	Product and service distribution channels and trends
Competitors	Competitive landscape and performance
Regulation	Regulatory requirements, barriers and potential reforms
Capabilities	Ability to leverage existing suppliers or customer relationships

Identification of risks and challenges

Inherent risks and challenges in each of the countries identified to better clarify potential market entrance.

Perform due diligence on priority countries

Develop a customized set of international footprint recommendations based on detailed country due diligence.

Illustrative international footprint recommendations

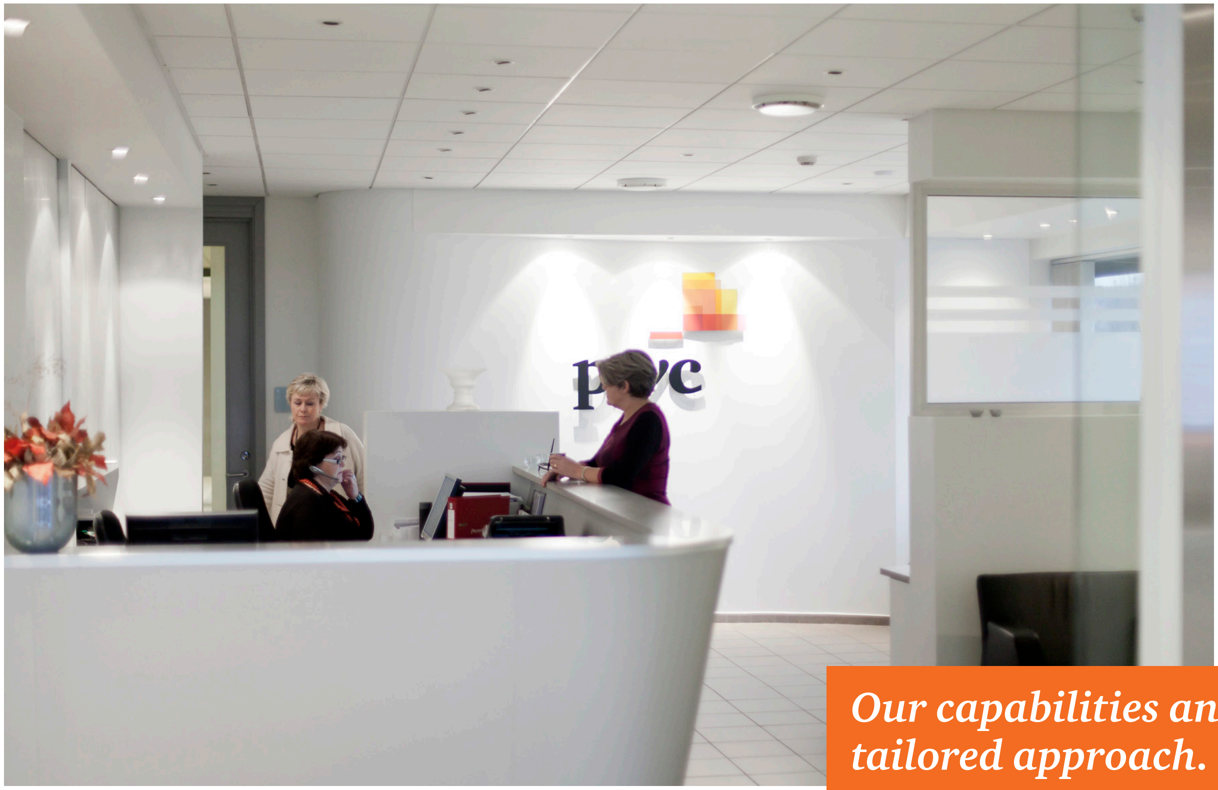
Country approach	High-level rationale
Expand	• The firm has a strong presence in the market today, through other areas of business. As such, a positive brand has already been established. • The target market is a large, developing country that is only now starting to experience sustained growth. • The substantial population of HNWIs in major cities presents potential for investment and growth. • There are currently no foreign competitors in the market and HNWIs are not satisfied with current wealth management services provided by local entities. • A stable government has been present in the country for several years. • Financial markets are well established and are functional.
Enter	• The firm currently has no investment in the market, but they do have an established presence in other countries in the region. This knowledge can be leveraged for entrance in this market. • The country has strong economic growth potential, but does have moderate political risk due to a government with limited history and newly formed financial markets. • Initial entrance has been made by foreign competitors, but they either have been unsuccessful or have invested insufficient capital to make an impact. As such, an opportunity is still present for first-mover advantage.
Hold	• Several large local firms have an existing presence in the market. • Instability in the government and lack of stable financial markets creates substantial economic and political risk, which would make incremental investment difficult at this time. • HNWIs are sparsely populated throughout the region, with no concentration in major cities. • Few other foreign competitors are considering entry into this market.

Define next steps

Determine next steps based on the international footprint recommendations, including appropriate market entry, adjustment, and exit decisions and optimizing global business design.

		Next steps for optimizing international footprint
For **near-and medium**-term priority market opportunities	Market entry	• Define and evaluate options for entry (including organic growth, partnership, or acquisition). • Define market entry roadmap, including timeline to ensure established presence before competitors. • Determine appropriate mix of employees needed to enter market (local hires, expatriates, non-local entities with cultural familiarity).
	Market growth	• Identify new market strategies for growth and profitability improvements (customer segmentation, new product development, operating model adjustments). • Consider additional targets for development of future HNWIs (such as universities or financial centers). • Adapt to changes in tax structure or governmental regulation. • Adjust strategy to entrance of other competitors into market.
For low-performing business units in **low-priority** markets	Market exit	• Evaluate low performance drivers. • Define and evaluate options for exit (such as divestiture). • Define exit strategy roadmap and dependencies. • Consider any political ramifications of market exit.
For expanding **global operations**	Global business design	• Evaluate the global operating model and market portfolio strategies to maximize return for a given dollar of investment, including: – Global operations and processes – Technology platforms – Culture and incentive alignment

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 biggest 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 services companies face today affect their entire business. 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.

PwC Advisory

We look across the entire organization—focusing on strategy, structure, people, process, and technology—to help our clients improve business processes, transform organizations, and implement technologies needed to run the business.

Client needs	Issues we help clients address
Innovate and grow profitably	• Reshaping the IT function into a source of innovation • Transforming business information to drive insight and fact-based decision making • Evaluating acquisition and divestiture strategies to position for the future
Manage risk and regulation	• Building a risk resilient organization • Managing ERP investment and project execution risk • Safeguarding the currency of business; keeping sensitive data out of the wrong hands • Ensuring capital project governance and accountability
Build effective organizations	• Establishing effective strategic sourcing and procurement • Realizing competitive advantage through effective sales operations inventory planning • Transforming the close and consolidation process to work for you rather than against you
Reduce costs	• Driving efficiency through shared services • Redesigning finance to realize efficiency and competitive advantage • Taking control of cost through effective spend management and cash forecasting practices
Leverage talent	• Defining and implementing an effective HR organization • Rethinking pivotal talent

Appendix

Select qualifications.

Global market assessment—Global property and casualty insurer

Issues	The client, one of the world's largest insurance companies with operations in most of the world's 50 largest economies, wanted to undertake a systematic review of its strategy for its operations around the globe, particularly in developing markets. The client, however, had never before undertaken a systematic overview of its global operations; it felt it did not have the resources or know-how to develop a bulletproof evaluation of its markets.
Approach	The PwC team helped develop a heuristic evaluation framework that assessed the opportunity and risk in 60 developing countries based on a scoring of macro-environmental and insurance industry dynamics. This was followed by deep-dive analyses of products, sectors, competition, distribution, and natural hazard risks in the 30 top-ranking countries. The team also conducted an assessment of the client's internal position and capabilities across markets based on interviews with 30+ country managers that also served as a key input into market prioritization.
Benefits	PwC's structured and thorough assessment of global markets led to a recommendation of 13 high-priority countries that offered the greatest probable return for a given dollar of investment. These recommendations underpinned the future global growth strategy for the global insurer, impacting future investment allocations, organizational design, and new product development.

Market opportunity modeling—Global property and casualty insurer

Issues	The client's emerging market division was facing difficulties in estimating future opportunity in emerging markets due to the nonlinear jumps in market demand and propagation delays associated with market size and economic growth. Additionally, there was uncertainty around how to estimate return on equity (ROE) benefits associated with product bundling in these markets. Traditional techniques like Monte Carlo simulation and discrete event simulation were not adequate to take into account the unique nonlinearity of emerging market growth.
Approach	PwC worked with the president of Emerging Markets to: • Develop a platform for modeling long-run emerging market opportunity sizes based on the relationship between demographic indicators and the underlying physical good being insured. • Develop a model that linked behavior of individual entities (customers, brokers, and firms) to overall profitability and ROE within a commercial product portfolio. • Confirm opportunity sizes within Latin American motor insurance markets, and suggest firm policies to capture competitor policyholders ("switchers") to gain share—a more profitable and effective strategy than targeting individuals new to insurance.
Benefits	PwC's modeling approach provided the client with mathematically grounded business intuition around the "maturity paths" of emerging market countries and further provided projected long-run, non-life insurance premiums for more than 60 countries to inform future investment and growth decisions.

Global market assessment—Global investment bank

Issues	The client had identified a potential strategy for gathering low-cost funds by way of international online deposits. To assess the strategy, it needed to develop an understanding of which countries could support global funding operations. A key objective for the client was to gather $50 billion in online deposits over 10 years for repatriation or local lending, pulled from markets with lower physical banking presence requirements and greater opportunity to target HNWI segments.
Approach	PwC helped the client assess online deposit gathering, market attractiveness, and feasibility for eight key markets, which fell into three types of opportunity clusters: • Pilot markets: Low barriers to entry and highly adaptive to online banking; • Quick wins: Large, wealthy, tech-savvy markets, whose sheer scale helps to establish abundant demand (but also attracts significant competition); • Long-term opportunities: Emerging markets experiencing high growth in demand, but facing regulatory and infrastructure challenges.
Benefits	PwC assessed the viability of achieving the client's $50 billion funding objective within 10 years, determining it would be a significant challenge with only a single market entry. As a result, PwC helped the client further outline potential strategic initiatives including a multi-market roll-out and the impact of expanding their target market to include both HNWI and mass affluent segments to achieve their objective.

Global market assessment—Global retail bank

Issues	Historically, the client's global direct banking initiatives were driven by individual business units in different countries. There was no well-defined global direct banking strategy, and cross-market interaction was limited and unstructured. To mobilize a coherent global direct banking strategy, the bank set up a team spanning geographies and product groups.
Approach	PwC partnered with the direct banking team to identify 12 markets for an assessment based on a range of criteria, including market maturity, current footprint, and alignment with focus of the bank's international growth strategy: • Using our proprietary Global Growth Radar tool, PwC assessed relative attractiveness of markets to prioritize a set of five markets for initial focus. • Understanding that "one size will not fit all," three business models were further outlined based on the bank's current market activity and presence. • PwC also outlined a governance structure defining the role of the direct banking team and defined a high-level, 120-day roadmap to drive momentum.
Benefits	PwC's efforts enabled the direct banking team to develop a cohesive and thorough global growth strategy that spanned both previously siloed markets and product groups. Incorporating recommendations around business models for high-priority markets and a high-level roadmap on next steps, the group was able to rapidly and successfully mobilize on the global growth strategy.

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Fortune favors choice, not chance: How wealth management firms can pave the way to growth in new and emerging markets," PwC FS Viewpoint, January 2013. www.pwc.com/fsi