A case for data analytics in Wealth Management – Dynamic Pricing

About Data Analytics

Data analytics science ranges from data extraction and organization to analysis and visualization that help solve complex business problems by empowering decision makers with fact-based analyses. That step being already reached in most industries; we are now in an age of merging structured with un-structured information and adding predictive analyses on massive amounts of data.

Fields where we can optimize problem solving and decision making thanks to data analytics are numerous.

One of the areas that has been the least explored in Wealth Management information systems is the **client side and revenue effectiveness and efficiency**. Notable exception is Compliance. Not because there was a will, but because it was imposed by regulators for Anti-Money Laundering.

However, increasing regulation, tax transparency, market volatility and low interest rate environment put pressure on the industry, especially in former offshore heavens, while the financial crisis reduced client loyalty. Lower revenues and profitability limit maneuvering space for investing in projects other than regulation adaptation and cost reduction.

Navigating the Digital world is an important and necessary step for banks. And it starts with data. There is an opportunity to address costs and revenues, without invading relationship manager's client space, by leveraging massive amounts of data that already exist in the bank thanks to KYC and transactions.

We believe that pricing optimization combined with cost-to-serve analysis can boost client profitability and revenues while mitigating costs, having in mind both client and bank interest. And we believe that agile implementation can quickly prove it in a cost-effective manner, while paving the way for advanced digital mindset which are critical for client relations in a digital world. Furthermore, we can bring the information transparently to relationship managers so they can actually improve results and client loyalty. Relationship managers are in the *driving seat* with clients, so let's give them a proper *steering wheel and GPS*, so that banks can really foster profitable change.

Dynamic Pricing and Pricing optimization

Pricing optimization is one of our primary focus because:

- Revenues are at stake today and optimized pricing is the most effective and quick way to raise revenues, especially during the challenging times the industry is living in
- Establishing a price list is not (yet) the key in private banking; special conditions and rebates are; therefore, pricing execution is the critical part and a major source of revenue losses
- There is no systematic way to monitor and improve pricing execution, not even to combine that knowledge with cost-to-serve information
- There is a lack of understanding of the value created for clients, although this could balance the pricing discussion and support further reflections on pricing model
- There is a lack of understanding of P&L impacts of special conditions by the relationship managers, either because they are not informed or not concerned
- Which leads to the question of incentives which are not aligned with shared interests of banks-clients-revenue management systems (currently mostly based on assets under

management, net new money, revenues, but rarely on contribution to the bottom line, not talking about longer term development and cost of capital)

Therefore, we should link pricing optimization and client profitability analysis.

We call that **Dynamic Pricing**, because this is an informed and rational approach to special conditions and rebates.

And to gain front-office adoption, we should share data with private bankers to empower them to take good decisions, rather than merely monitoring them from the top. And finally, we should link this further to incentives. But this does not have to be done all at the same time.

Data discovery can be a first step and serves as an eye opener, while delivering quick financial wins.

In many banks, profitability analysis at client level is not as developed as one could think. An agile approach is to use proxies' analysis that you can directly find in the data, rather than more complex and time-consuming ABC and time-sheeting analyses. It is always better to move quickly, get data, come up with first conclusions, try actions, refine and improve analytics.

Agility is key. Technology allows you to be quick and agile.

We leverage digital opportunity to increase revenues, profitability, client and relationship manager satisfaction. Regulator can only be happy about this move as well because transparency leads to client best interest. And finally, we get used to digital mindset and tools.

With **Dynamic Pricing**, banks hit several birds with just one shot.

What if you could directly influence your bottom-line and show it concretely to relationship managers?

What if you could involve and embark relationship managers along your journey by aligning banks benefits and theirs?

What if you could mobilize your top management by quickly revealing concrete CHF opportunities?

What if you could empower your front line with a dynamic quotation and negotiation solution that can satisfy your bottom-line and your clients?