

Competitive Trends in Global Wealth Management 2011

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Abstracts

Introduction

This report provides an overview of the major competitive trends during 2010 and what the top 10 global players, including Pictet, RBC, HSBC, UBS, Credit Suisse and Wells Fargo; were doing in terms of their positioning. The report also provides Datamonitor's Wealth & Investments team predictions on the top trends in global wealth management for 2011.

Features and benefits

Use this report to gain insight into which territories and client segments the leading wealth managers are targeting

Identify which wealth managers have been most active over the last year and what the largest have focused their efforts on

Find out what trends will be shaping the competitive strategies of wealth managers over the coming year.

Highlights

With all of the threats – be they regulatory, economic, or financial – that can potentially impact upon other banking activities, many of the leading banking groups around the world prioritized growth in the wealth management market as a key part of their overall strategies in the lead up to 2010 and beyond.

With the credit crisis and global recession having a hugely negative effect on the financial services market in 2009, announcements concerning M&A, partnership agreements, and organic growth tapered off. The higher pace of such developments in 2010 means that wealth managers have shifted competitive strategies back to a more normal footing.

In order to combat commoditization, private banks and wealth managers of all types will engage in greater customer segmentation, setting up specialized teams and services designed to appeal to certain ethnic, geographic, national, professional, and social groups.

Your key questions answered

What will be the major trends affecting competition in 2011?

What geographies experienced the most staffing changes in 2010?

Where are global players looking to expand and how?

What new types of client segmentation are being used by leading wealth managers to gain advantage in the market?

Contents

Executive Summary

M&A and organic growth in Asia drove the competitive strategy of many top wealth managers

February and November were the most active months for business deals and expansions

Bank of Singapore, OCBC's new private wealth brand, was one of the most high profile new wealth brands in 2010

Key players upgraded their presence in the regional centers of Asia Pacific and the Middle East

While the focus was on Asia, wealth managers still had to compete in developed markets

The developed wealth markets of Western Europe and North America accounted for the majority of staffing announcements

Just under half of all new products were launched for the European market

Customer targeting was focused on wealth segments in 2010 but is showing increasing sophistication

Competitive trends in 2011 will be less driven by the fallout of the credit crisis

M&A will be focused on consolidation of smaller players and businesses in desirable markets

Wealth managers emerging markets strategy will shift to building up operations in target markets

Competitors will focus more on building up those parts of the business that offer the highest margin

Social media and mobile technology will increasingly be a battle ground for clients

Hiring and retaining key personnel will be increasingly challenging

Additional specialized client segmentation propositions will be developed to give banks an edge over rivals

OVERVIEW

Catalyst

Summary

Methodology

KEY COMPETITIVE TRENDS OF 2010

Introduction

Wealth managers the world over faced increased competition in 2010

The steady income and growth of the wealth management market has become more attractive since the financial crisis

Lower capital costs in wealth management make the business more attractive when capital is expensive and scarce

M&A and organic growth in Asia drove the competitive strategy of many top wealth managers

February and November were the most active months for business deals and expansions

M&A activity was popular in Europe, while in Asia wealth managers were more inclined to pursue organic growth

Citigroup was the most active pursuant of organic expansion in 2010

Major new entrants were rare, but competition within regions is more intense than ever

In the Asia Pacific region a greater number of major wealth players are in direct competition with each other

New wealth brands entering the market in 2010 sought to tap into client dissatisfaction at poor returns

2010 saw many key players upgrade their presence in regional centers

With so many wealth managers hungry for growth, competition for experienced staff has been high

Wealth managers have made a significant number of staffing changes in 2010

Staffing changes have been elevated in recent years as companies seek out talented individuals

The developed wealth markets of Western Europe and North America accounted for the majority of staffing announcements

Barclays made significant personnel changes to its UK operations and has overall to its wealth arm

Expanding product and service ranges have also been areas of competition over the last year

Wealth managers have focused more on customer targeting than the launch of new products

Customer targeting has typically been focused on wealth segments but is showing increasing sophistication

Just under half of all new products were launched for the European market

Citigroup was most active in terms of developing its client targeting strategy in 2010, and launched a variety of new programs

TOP WEALTH MANAGEMENT COMPETITORS

Introduction

Bank of America Merrill Lynch

Its aim in 2010 was more focused on building up its strong position in the Americas

The Americas, particularly the US, were the focus of much of Bank of America Merrill Lynch's activity

Bank of America Merrill Lynch formed a partnership with Melbourne-based broker Evans & Partners

Credit Suisse

Like many private Swiss banks, Credit Suisse has continued to build its global on and off-shore presence

Credit Suisse is developing its wealth operations in Asia and the Middle East

Credit Suisse has benefited from the financial crisis driving clients to stable banks

Deutsche Bank

Deutsche Bank sought to shore up its business in its core markets, although it is also committed to expanding in Asia

Deutsche Bank was one of the most active big wealth managers in terms of acquisitions

The bank has worked on its brand and used social media to become more competitive in the market

HSBC

HSBC refined its mass affluent offering in 2010 and expanded its US presence

The US was the target of several key retail branch expansions that included significant wealth components

HSBC Advance was rolled out to the world's potential mass affluent

Morgan Stanley Smith Barney

Morgan Stanley has sought to expand its wealth presence at the expense of more risky divisions

Organic growth targets abroad have made Morgan Stanley Smith Barney more of a competitive threat globally

The bank was active in customer targeting in the US and more broadly across the world

Integration of its 2009 acquisition Smith Barney preoccupied Morgan Stanley in 2010

Pictet

Pictet remained committed to its specialist private banking proposition

Prix Pictet was once again the most high profile activity conducted by the bank, garnering attention from the likes of the Financial Times

RBC

The Canadian bank has pursued expansion in the wealth market through M&A and organic growth

RBC made several key acquisitions in 2010 that bolstered its international operations

Organic growth was supported by the opening of new offices and centers abroad

UBS

UBS's global aims for 2010 focused on building onshore capabilities and its UHNW market offerings

A key part of UBS's global competitive strategy involved reviving its brand Wells Fargo

Wells Fargo aims to become a greater force in US wealth management

Integrating the wealth operations of Wachovia and Wells Fargo has been a major focus of the bank

IMPLICATIONS FOR COMPETITION IN 2011

Introduction

Trend one: M&A activity will be increasingly driven by consolidation among boutiques

The credit crunch and its forced divestments will no longer drive M&A activity

Deal volume and value may remain elevated in 2011 but size will be reduced

Trend two: the emerging markets strategy will shift to building up operations rather than simply establishing them

Regional offices and branches deepen the penetration of large global wealth managers in the Middle East

Banks will improve on their Asia servicing with investments that focus on local capabilities

The rise of Singapore and Hong Kong as the pre-eminent offshore wealth centers will continue

Trend three: wealth managers will focus more on building margin into their business

Wealth managers will struggle to get their clients into higher margin products

Cost control will become more important even in developing markets

Offering credit products has become a more popular means of gaining greater wallet share

Trend four: wealth managers will still be finding their feet with social media and technology

New apps and tools released by wealth managers will take the market beyond its baby

steps

Private banks will have a social media presence, but not a particularly effective one

More social networks like tiger 21 will connect HNW individuals

Trend five: tight labor markets will cause higher staff turnover and threaten targets

Employee retention will remain an important concern for wealth managers

Staff for country desks that combine cultural knowledge and experience will be highly sought after

Star performers will be able command an increased premium in the wealth market

Trend six: client segmentation and customer targeting will be used to a greater extent in 2011 in order to stay competitive

Additional specialized propositions will be developed to give banks an edge over rivals

Cultural and ethnic desks will be used to tap into the highly international nature of the HNW client base

Social segments like singles, divorcees, and LGBTs are becoming more important for wealth managers in mature markets

Increased attention will be paid to wealthy women by competitors eager to service the growing female market

Wealth managers are realizing that targeting professional groups is an effective way to build up a client base

APPENDIX

Methodology

Each month, Datamonitor tracks the most relevant announcements from 53 competitors

Primary Research

Further reading

Ask the analyst

Datamonitor consulting

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