

Wealth Management Strategies in the Era of E-commerce

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Abstract: This paper looks at the key strategies being applied by wealth management and their competitive position. Each approach has merits, although the multi-channel 'single brand' approach seems to be gathering momentum. E-commerce facilitates differentiation and requires focus, whilst making cost leadership more difficult. Choices between being a traditional or extended wealth manager, or simply a wealth product provider, are increasingly being made. Moreover need for strategic choice in the wealth management market is presented, before looking in more detail at the wealth management strategies commonly adopted. The relative success of each is considered, together with the competitive advantages to be gained.

Key words: Wealth management, Strategies, E-commerce

Introduction

The main objective is to consider here the key strategies adopted by wealth managers, specifically in the context of the e-enabled environment. It also sought to understand the impact of adopting certain wealth management strategies upon the organisation's competitive position. How strategies are applied depend upon the decision whether to be a 'traditional' 'extended' or 'product' provider. Ultimately, the challenge for organisation is to adopt the right strategic mix, as strategies are not mutually exclusive. E-commerce enhances the ability to offer multi-channel strategies, potentially reducing costs and improving customer management. However, careful branding must be applied, with the 'single organisation, multi-channel' option becoming dominant. To be successful such a strategy must offer a positive client experience, problem solving solutions and a unified view of the client's overall relationship. Collaboration strategies can also be used, internally or on a B2B or B2C basis. However, they must create added value for the client (putting 'familiar' names together is insufficient). E-commerce may also expand client options, allowing smaller market competitors to collaborate with other and offer broader product choices. With new aggregation services and interactive tools being launched wealth managers face the risk of dis-intermediation in some sectors. The 'internal' aggregation offers the development of client interaction, by supplying improved information and knowledge to both sides. Brand value is also of greater importance online, where 'trust' in the medium is typically lower. A strong branding strategy leverages existing organisational strengths but must be customer focused and consistent in its message both off and online. Segmentation enables providers to tailor online services to meet perceived customer needs and if applied correctly may ultimately lead to the bypassing of generic High Net Worth (HNW) segments to create a 'segment of one'. However it is unclear at present which 'segments' are best served in this way. Whichever strategy is adopted traditional private banks will come under increasing pressure to increase client interaction and improve product choice, placing an additional burden upon client handlers, training and technology. Successful wealth managers will therefore thrive only if technology is used to complement, as opposed to replace, the relationship manager. With so many banks relying upon some form of segmentation of the High Net Worth Individuals (HNWI) market there is scope for quantitative research to be undertaken to establish how effective different segmentation approaches are. Are they effective, profitable or even practical in some cases? In addition, whilst market changes suggest the power of suppliers is falling (as their number have increased faster than apparent demand) the normal market reaction of intensified price competition has not been seen on as large a scale as in the retail financial services market. A study of the elasticity of both supply and demand in the wealth management market would therefore create prove of great use in reinforcing, or otherwise, the contention that 'price' in this highly specialized and often exclusive market is of far less importance to the HNWI than their overall service experience.

Strategic Choice: Wealth management providers can no longer rely upon customer loyalty in the intergenerational wealth transfer process (Ackermann, 2000) and the traditional step-by-step approach to business transformation may no longer therefore be appropriate (Watkins, 2000). Instead wealth managers may need to make a strategic 'leap' away from traditional business models – based on process integration, service bundling scale economy and the monopolization of extensive branch network (Li, 2001) also warns of the possible 'deconstruction' or 'fragmentation' of traditional banking models, with new entrants focusing on particular sections of, or processes involved in, the market]. New approaches may therefore be required, with the careful tracking of key market conditions/ activities through a bottom-up approach, with strong strategic leadership (Broady-Preston Hayard

1998). Given the multi-channel delivery of many wealth management services there is little doubt that a traditional top-down approach would be slow to react to market changes, with real-time online services capable of rapid evolution and therefore requiring a much shorter strategic decision and implementation process.

Some also advocate a 'blanched scorecard' approach (measuring customer retention, acquisition, satisfaction and profitability) as a method to assess customer 'success' and convert this into workable goals within and overall wealth management strategy (Broady Preston and Haywood 1998 and Little *et al.*, 2000). This shifts the focus of the organisation, towards the customer as the ultimate measurement of success and again in an e-enabled world, where online loyalties are not as great as we have seen in the more traditionally delivered private banking market this makes some sense. However, whichever approach is adopted wealth managers must increasingly become more customer-focused and swift in their reaction to change. Robinson *et al.* (2002) suggest that given clients' needs and wealth manager's capabilities then one of three business strategic should be pursued, as follows.

1. **Traditional WM provider:** Suited to private banks, trust companies and independent adviser. Provide comprehensive wealth management services, typified by high service quality, complementary external perception/branding, high skill levels, personal attention and strong advisory capabilities/ access to own and third party products.
2. **Extended WM Provider:** Suited to large groups brokerages and retail banks. Provide breadth of products, strong technology and multiple channel access.
3. **Product Provider:** Suited to insurance companies and fund/ asset managers. Provide new and innovative products at segment level, develop ties with distributors and compete by distinguishing products with value added services or on price/performance.

Whilst in the context of overall market strategy there will be limited choices, the organisational strategies adopted to deliver such a market position will vary, with the likelihood of multiple strategies being adopted, e.g. Charles Schwab Co has adopted a multi-channel strategy, collaborating/outsourcing through its acquisition of US Trust Co, yet still maintaining its unique online branding strategy and thereby recognising changing customer loyalties, market segments and the value of the Internet in brand extension (Franklin Latimore, 2002). Ultimately, the challenge for organisations is to adopt the right combination, and with this in mind the next sections will consider how e-commerce has impacted upon the strategic mix. Multi-channel, branding and segmentation strategies will therefore be considered, together with strategic collaboration and aggregation.

Multi Channel Strategy: E-commerce allows wealth managers to enhance sales channels or modify/ create new business process. In turn, where properly managed new channels can create increased revenues, reduce costs and better manage relationship [confidence that a multi-channel delivery strategy is cost competitive is high, with 78% of Eurozone banks (89% of UK banks) and 83% of Eurozone insurers (80% of UK insurers) agreeing (Gandy, 2001). However, delivery channel choices are often complex, requiring a willingness to cannibalise past investments and competencies in order to effectively transform from the 'branch-based' to the 'multiple-distribution' approach (Mols, 2000). This also has implications for the re-alignment of technology, human resources and resource allocation, plus a need for greater co-ordination across complementary channels.

Mols (1998) suggest that in considering future distribution strategy organisations should first determine which distribution channel combination best meets customers' needs (see Figure 1 below) by asking what customers want, how much are they willing to pay, how such services can be provided and the costs of alternative distribution channels? In considering these questions it is worth looking at the experience of the wider financial services sector. In the report 'New Business Models' (Gandy, 2000) the 'bank within a bank or virtual new entrant' business model was adopted by several established UK financial service providers to avoid the cannibalisation of clients and enabling lower cost delivery/competitive pricing.

This approach also facilitated channel choice segmentation and, where introducer relations are important, provides a strategy to avoid conflict. However US experience (citing Versital, Wingspandbank.com and mabanx as examples) and the collapse/ cancellation of Lloyds TSBs Crate ([http:// www. createwealth.com/](http://www.createwealth.com/)) MLHSBC and Swiss private banker Vontobel's 'y-o-u online bank, has suggested a 'clicks and mortar' approach (i.e. a multi-channel strategy) presents a more successful delivery alternative – with cannibalisation less of a concern to providers (Croft, 2002). This approach should help providers to deliver customer friendly environments across all channels, providing a 'click, call or meet' option for the client (in the case of Charles Schwab this has also meant opening bricks and mortar branches as education and sales centres).

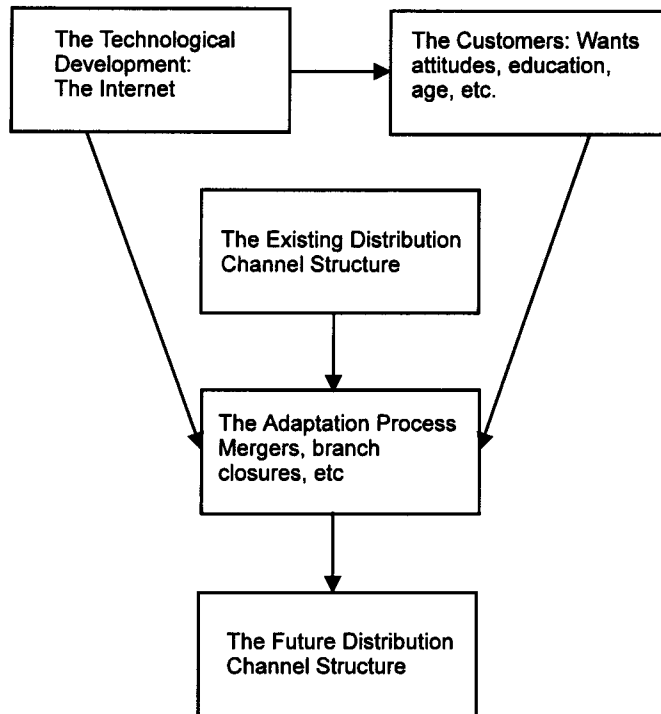


Fig. 1: The adaptation process in distribution channels
Source : Mols, N.P. (1998)

The gradual shift towards multi-channel delivery is perhaps not after all surprising. Research by McKinsey Co. (Boss *et al.*, 2000) highlighted several reservations held by potential on line customers, including the lack of physical ability to make deposits except by ATM (66%), the lack of face-to-face involvement (61%) insufficient trust in Internet transactions (51%), more confidence in physical banks (46%) and the inability to open accounts at a physical location (40%). Datamonitor (Fanning, 2001) also suggest that 69% of mass-affluent customers prefer making their arrangements face-to-face. Both therefore conclude that the threat from the virtual bank may not be as great as once thought. However that is not say that multi channel delivery will always be successful. As Austin (2002) points out, the development of online services by some UK insurance companies e.g. Norwich Union's 2001 launch of an online wealth management programme, offering a 60 second wealth check, financial planning tools, online share dealing and an ISA fund supermarket, may cause damage to traditional delivery channels (in this case the IFA introducer market) by competing too directly ([http:// www.norwichunion.com/](http://www.norwichunion.com/)). Private banks have also historically relied upon strong, often exclusive, relationships with intermediaries. However, e-commerce allows links with intermediaries to be easily formed and strengthened, with simple initiatives such as email, dedicated online services and intermediary relationship managers, giving them a similar experience to that enjoyed by their customers. HNWI can also directly benefit from a multi-channel approach, downloading forms from web-sites, receiving portfolio valuations by email and communicating with their relationship manager online. Of course a multi-channel strategy presupposes a desire by the customer to use the online channel. As first Direct have shown in the retail financial services market, early adopters of new technologies will readily move online- but this may account for as little as 10% of a bank's current customer base. Retail banks have therefore adopted more aggressive methods to market online services. However, blunt and indiscriminate approaches do not sit well with more affluent clients. The answer therefore may not be to 'push' clients online but design the channel to 'pull' potential clients towards it (Forsyth, 2003). This requires a new form of channel strategy, building choices not for their cost savings, but for the customer experience and problem solving solution offered. HNWI clients desire an air of exclusivity and personalisation from their wealth manager and where interacting with more than one delivery channel they must be presented with a unified view of the relationship, if a multi-channel strategy is to succeed. In this way the likes of Northern Trust and Citibank allow information from multiple sources to be brought together, providing a consistent single view of their wealth irrespective of where they may be based or the device they use to enquiry upon (e.g. PDA Mobile, Internet of Telephone). This approach is also seen as a way to retain customer loyalty. Half of all European banks cited 'integrated access to other channels' as their

principal method for retaining clients, followed by 'information rich services and competitive pricing (Gandy, 2001). Again, this emphasises the importance of integration. Whilst free-standing delivery channels may yield ongoing cost advantage, without integration providers may be reduced to competing on information services (which clients would expect as a right) and ultimately price.

Collaboration Strategy: Hensman *et al.* (2001) in their study of the online financial services industry identified both advantages and disadvantages of being established incumbents (bricks) and new market entrants (clicks). However they concluded both need to challenge the 'legitimacy' of the other if they are to compete effectively. For 'bricks' this may entail the creation of partnerships (e.g. strategic alliances/ joint ventures) and / or the use of 'legitimacy providers' in the Internet marketplace (such as financial media) to create a presence and protect against competition or the cannibalisation of their products / markets by new market entrants. Deise *et al.* (2000, p86) describe collaboration as: "... a rethinking of processes in a way that provides a win-win-win outcome among suppliers companies and customers, an outcome where customer focus takes priority for strategic reasons". At its simplest level collaboration may be 'Internal' and a necessary pre-requisite for the delivery of true customer satisfaction. For example, many providers have evolved around divisional 'silos' leading to an incomplete picture of the clients overall relationship and making sound advice and personal service harder to deliver. Collaboration may also be applied to the relationship between the wealth manager and his client. It can establish a working relationship between them and as a by product, can help positively influence the take up of the bank's products and services.

Ackermann, (2000) puts forward the view that as customers increasingly seek functionality from online wealth management offerings more collaboration will be seen. For example, Northern Trust established a co-operation agreement with Northwestern Mutual Life to offer life assurance products and HSBC and Merrill Lynch set up a US\$1 billion global wealth management collaborative joint venture – with similar moves announced by Sweden's SEB, Credit Suisse and UBS and Swiss private bankers, Banks Vontobel (<http://www.vontobel.ch/>) (Croft, 2002). In MLHSBCs case the target was the self-directed customer, with those requiring more specialised advisory services referred on to specialist in-house wealth management arms of the two parents. However, such collaboration does not offer a panacea. The subsequent closure of MLHSBC to new business in May 2003 shows that crating web-based services for the wealthy does not necessarily mean that they will take such services up and that collaboration must offer sufficient added value to the client if the venture is to create competitive advantage. Less ambitious collaboration is more widespread, and can provide genuine customer benefits. Credit Suisse's collaboration with its UK insurers Winterthur has provided a dedicated website (Webinsurance Partners) to its IFA network, whilst Julius Baer (<http://www.juliusbaer.com/>) have created their 'JB Fundnet' extranet platform for its investment fund distributors. Widespread collaborations also seen in the area of institutional research, with Harris direct (CSFB/Bank of Montreal), Schwabs (Goldman Sachs) and Fidelity (Lehman Brothers) all using third party providers. Schroders Private Bank, through its strategic partnership with can Frank Russell Company (global multi-manager), also shows how partnerships can allow the provider to supply services it would not otherwise have the experience to provide.

As seen earlier the demand from the HNWI for 'best-of-breed' products makes collaboration almost inevitable. Whereas larger providers can offer in-house solutions to the wealthy client's needs, smaller private banks may retain an advantage in the introducer market. By not competing direct with the introducer the latter faces less poaching and, given that around 23% of affluent individuals use an IFA (or its equivalent) niche banks, such as Gerrards (<http://www.gerrard.com/homepage.htm>), may see this as an area where they can achieve competitive advantage. Increasingly therefore we may see smaller providers 'collaborate' as opposed to 'manufacturing' products and services, in order to deliver greater choice, quality and service for the HNWI. The drive to contain costs will also see an increasing number outsource traditional activities such as custody, research, trading, settlement and IT, e.g. Courts, Schroders and EFG Bank all currently outsource all or part of their fund management operation, with recent estimates suggesting 34% of private banks now outsource their custody requirements. 23% their trading/execution and settlement and 22% IT and securities processing (Financial-I, 2003).

Aggregation Strategy: Account aggregation (pulling together a client's account balances and holdings for viewing on a web site via a single log-in) arguably offers a low cost way to consolidate the financial affairs of wealthy individuals. It also poses the threat of disintermediation, as non-financial service providers such as Quicken, Excite, and America Online Offer similar services free, via a single password. Aggregation works through the account aggregator's use of customer's account details (including any authentication/security data) to 'scrape' the required account data from their bank and send this to the aggregators own website for redisplay. Additional 'tools' such as portfolio performance indicators, can then be added to enhance the relationship, together with virtually any Internet accessed information such as airmiles, travel reservations, email, etc (given that only 40% of European HNWI's wealth – 60% in North America – is invested with just one provider the potential demand

for aggregation services is present).

Despite the threat of disintermediation by aggregators Pennathur (2001) suggests banks hold the advantage, with customers seeing them as logical 'trusted' providers of aggregation service. Aggregation customers also tend to be receptive to product offers and can provide a good source of information upon which advice and services can be offered. For this reason aggregations increasingly being used by bank to extend 'private bank service to the mass affluent market and holds appeal to those wishing to offer a holistic view of a client's wealth, e.g. Citibank's 'My-Accounts' (<http://www.citibank.com/uk/portal/consumer/myaccounts>). Aggregation can exist at both the 'intra' and 'extra-company' level. Intra-company aggregation is still far from the norm amongst wealth managers and basic level account aggregation services should therefore first be introduced to consolidate data from legacy systems. Aggregation technologies can then be used by wealth managers to supply information to relationship managers; helping them in their advisory capacity to differentiate the services on offer. However whilst it is acknowledged that HNWI's normally maintain more than one banking relationship [Forrester Research reports the average online retail banking customer in the US has 4.5 financial relationships (Wicht Grater, 2002)] what would result if clients of one bank use the aggregation service of another? Will they eventually move their banking and investments?

The possibility of course exists, although research by Forrester (Jefferies, 2003) predicts no more than 10% of the banking market will ever use aggregation services, so is aggregation therefore relevant to wealth management services? If affluent clients have several advisers, then aggregation can be used to distinguish the service provided by one wealth manager from another, whilst also introducing functionality for the relationship manager to maximise the quality of the client / adviser interaction. In this way Northern Trust (<http://www.northerntrust.com/>) has developed its 'Private Passport' and 'Family Passport' services for the HNWI and family office respectively, using balance and activity data drawn from multiple institutions to provide a common view of their wealth, and State Street (<http://www.staestreet.com/>) offer clients the ability to export aggregated data into their own bespoke systems. In short it may offer both these institutions a competitive advantage over their rivals, although the relatively recent introduction of aggregation services means that only time will tell if they widespread appeal or not. Aggregation can of course be employed by anyone willing to develop such a service and may appeal to those who have limited access to markets, such as brokers, financial advisers and custodians. This is evidenced by the number of software providers designing aggregation services to the wealth management sector. Aggregation can of course enable price comparisons to be readily made, allowing niche players to attack sectors of the wealth manager market with product focused aggregation services, e.g. the funds market. With some wealth management products viewed as commodities by clients and their advisers, the desire may simply be to invest in a fund with a sound reputation and a strong track record. It is here, at the level where products become the focus of aggregation, that the wealth manager needs to adopt an appropriate strategy to avoid disintermediation and recognise the importance of their brand value.

Branding Strategy: E-commerce technology have transformed the delivery, distribution and differentiation of financial service, with new implications for the branding of financial services. Customers have become better informed, less loyal and more willing to switch provider, providing their need for security and reliability can be met. At the same time increased access to and information about wealth management services has the potential for them to be viewed as commodities, increasing the relative importance of brand and service as key differentiators. The result is that customers increasingly put value in 'trusted' brands, even if these are non-traditional financial institutions (according to PricewaterhouseCoopers (2001) image and reputations ranked 2nd as a key differentiator by CEOs and perceived as the highest ranked criterion for clients selecting a private bank or wealth manager and the top ranked measure of success). Although there is general recognition that branding can be a key differentiator wealth managers have traditionally been poor brand strategists. For example only six financial services brands appear amongst the ranking of the top 100 of the world's most valuable brands (all six are based in the USA) despite the often considerable values that brands can acquire as business assets (Interbrand, 2003).

So why are brands and the adoption of brand strategies so important? To answer this it is first appropriate to define what we mean by 'brands' Baker (2001, p11) defines them as follows: "Brands provide organisations with the means to develop higher order, long term, mutually trusting and profitable relationships. They become a key asset of the business." Evans Wurster (2000) point us to the power of branding online, with the 'reach' of the Internet increasing customer choice, leading to more customer confusion and the reliance upon positive brand association. Stronger brands can also help protect wealth managers from new market entrants (whilst the same long-term potential for brand recognition exists for new entrants as for existing incumbents, the former will require a sustained and costly effort in order to establish its brands (Diesel *et al.*, 2000). However maintaining a brand strategy online presents altogether different 'challenges and simple 'trust' in the provider becomes less likely to succeed. The potential interactivity, accessibility and anonymity of the web raises client expectations and lowers loyalty. In response effective brand strategies can be employed, with the Internet acting as an effective medium

through which the wealth manager can make available interactive tools and applications to tie the user to them (McHale *et al.* 2002).

Baker (2001) also suggests that the Internet requires a more distinctive approach to brand building focusing upon the six critical issues of customer satisfaction, content, use of technology, security, price and first mover advantage. However, given the fact that financial services organisations have struggled in delivering brand identity in the past how can they be more effective online? There is evidence from Mainspring Inc. (Franklin Latimore, 2002), which reveals that the HNWI investor is more concerned with brand value than those with fewer assets to invest. This may benefit those private banks with a strong brand image, although this can quickly turn against them should they use the Internet to expand into unfamiliar sectors of the affluent market, where they run the risk of alienating existing clients – who may feel that their custom is no longer desired. The choice therefore for the wealth manager will be to either exploit such traditional strengths by transferring a recognised brand online, or establish an new operating brand for the online only offering that is distinct from the master brand (Interbrand, 2001). Irrespective of which option is adopted the objective of course must be to create a 'successful' brand defined by Chaffey *et al.*, (2000) as: "an identifiable product or service augmented in such a way that the buyer or user perceives relevant unique added values which match their needs most clearly. Furthermore, its success results from being able to sustain these added values in the face of competition". Banks have approached brand selection with differing overall strategies. HSBC, in their short-lived tie up with Merrill Lynch, adopted the joint brand 'MLHSBC' as an extension of two globally recognised financial services organisations. Others like Switzerland's Vontobel develop their online strategy through a stand-alone and separately e-branded bank, 'y-o-u' (subsequently abandoned before its launch). However, both can be deemed to have 'failed', having absorbed considerable resources to establish their services and market branding. Arguably, adverse global economic conditions can be blamed, although in both cases new to market brand represented a high risk and high initial cost strategy, which in the end both were unable or unwilling ultimately to back.

In contrast. The Royal Bank of Scotland Group have adopted a multi-brand strategy, retaining private bank names such as Adam Co. (<http://www.adamandcompany.plc.uk/>) and Coutts (<http://www.coutts.com/>) as separate brands, each with its own distinctive customer image (Coutts was one of the UK wealth managers to launch Internet-based wealth management services thereby migrating their traditional brand online). A similar approach has also been adopted by Credit Suisse, who retain a stable of half a dozen or so small Swiss private bank brands in their portfolio. However, whichever approach is adopted, to maintain the success of brand building efforts the organisation must be effective in not only developing of multiple delivery channels, but also ensuring that a consistent, rewarding and interactive service is provided. It has also been argued that to gain a sustainable competitive edge it is necessary to establish a strong brand community (Forsyth, 2002). Brands are perceived to have both core functional and non-functional features (sometimes referred to as the 'Augmented Brand') and by augmenting emotional values, added services and ubiquitous presence brands can be used to set one company apart from another (Baker 2001). Through the establishment of a strong 'brand identification strategy; wealth managers should seek to cultivate an identity that clients value by providing rich information on products/ services or other attributes (real or perceived) enabling HNWIs to shortcut the hierarchical search process and wealth managers to lock in customer habit and channel choice in their favour (Wharton School, 2002 and Evans Wurster, 2000).

Segmentation Strategy: There are many different ways in which markets can be segmented. Chen (2001) points to the classical consumer marketing segments, identified by geographic, demographic, psychographic and behavioural variables, although in the wealth management market the following emerge as the key segmentation strategic currently being applied:

Investor Behaviour: Investor segmentation, described as loyalists, high maintenance, discounted and online, immersed and uninvolved (Asher, 2001) is often used as the basis for segmentation. Another definition of client investing styles is used by Franklin Latimore (2002)-see Figs. 2 below. These, or near derivatives of them, frequently feature in the design of online services. However they originate from studies of offline behaviour and as 'Create' and 'MLHSBC' found to their cost, such behaviour does not necessarily translate online. Such investor behaviour variables influence not only marketing of wealth management services, but also the manufacture and distribution of products and the delivery of advice and account services (Fig. 3). Evidence of the use of such variables in the wealth management market is widespread, and commonly used in conjunction with measures of actual wealth.

Client Wealth: HNWI is often described according to 'current value' (Figure -4 : HNWI Investor Type). E.g. Merrill Lynch's experiment with the establishment of an office in Los Angeles exclusively for clients with over US\$ 10 million in investable assets and Schroeder's reluctance to provide banking services to those with under £3m in available wealth. However, even within such segments there are likely to exist different sub-sectors. For example, whilst 'average' HNWIs may be investors in equities, would this also hold true for the younger HNWI who may be more interested in spending his/her wealth?

a. Wealth Definitions:

	Investable Assets	Income	Net worth
Middle Net Worth/ Emerging HNW	\$250.000 +	\$75.000 +	\$500.000 +
Millionaire	\$500.000 +	\$100.000 +	\$1 million +
Ultra High Net Worth	\$5,000.000 +	\$225.000 +	\$10 million +

b. Investing Style Definitions:

Self- directed	Researches, trades, and manages portfolio independently
Cooperative	Uses advisor for some tasks: executes others independently
Dependent	Relies on advisor all personal financial management

Source : Franklin, J. Latimore, D (2002), IBM Business Strategy Consulting.

Fig. 2: Wealth and investing style definitions

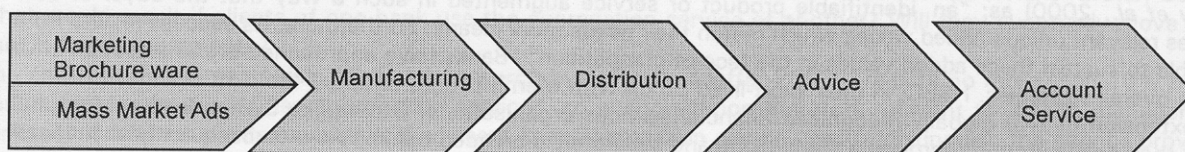


Fig. 3: Online HNW Focus

A. High Net Worth Segment Types

High Maintenance	14%
Discounted Online	12%
Immersed	33%
Uninvolved	15%
Loyalist	26%

B. HNWI Investment Decisions

Approach to Investment Decisions	High Maintenance	Discounted and Online	Immersed
Makes most decisions after regularly consulting advice	26%	11%	38%
Uses variety of sources makes own investment decisions without advisers	30%	40%	19%
Advisor makes most or all investment decisions	6%	7%	14%
Makes most decisions but uses adviser for specialised needs only	26%	39%	21%

Source Asber, J., 2001

Fig. 4: HNWI Investor Types

Technical /IT Literacy: The challenge of the Internet as a delivery channel lies in providing a rewarding customer experience, which will vary from client to client. The HNWI is far less homogenous than may be the case in the retail market and customer demand may be influenced by the propensity to use the Internet. It may be logical therefore to expect online wealth management services to be designed around this segments higher IT literacy (although if segmented in this way the Internet may actually act as barrier to future growth).

Other Forms of Segmentation : Cultural segmentation may be applied to reflect difference between say 'old wealth' and new wealth clients, with the latter typically created their wealth and being more technology savvy, requiring a wider choice of products and an altogether different level of attention and self-service. Another approach to segmentation has been adopted by Gibraltar Bank based in Florida ([http:// www.gibraltarbank.com/](http://www.gibraltarbank.com/)). Its success is claimed to be due to a focus on cultivating spheres of influence, particularly amongst professionals, irrespective of whether introduced clients meet popularly held wealth segment criteria. In this way they encourage quality referrals from satisfied professionals, effectively segmenting their business by introducer (Bernstel, 2002). We also see a widespread use of geographical segmentation with, for example, key differences in investor preferences on each side of the Atlantic so far restricting the impact of European wealth managers on the North American market and vice versa. Geographic segmentation also inhibits the ability of the extended' wealth managers to offer truly global services. Although some progress has been made by say the likes of HSBC and

Citibank, they still have a long way to go before they are able to command anywhere near the type of recognition enjoyed by many non financial services organisations.

Increasingly, such methods of segmentation may become less relevant. Instead, there is a growing need to understand the factors that drive the individuals financial lives, such as life events, changing income, family structures/stages and future aspirations. More importantly perhaps is the client's own expectations. They predominantly wish to be treated as individuals and not categories so any organisation looking to segment needs to establish a clear strategy and provide the right client handlers, environment and delivery channel to cater for each segments needs. Such an understanding will enable providers to give appropriate advice and act consistently in the clients best financial interests. According to Hall 2003, the value of such segmentation perhaps explains why even the largest Swiss private banks UBS and Credit Suisses, still retain a collection of smaller private banks (e.g. Bank Leu, Clariden, Hofmann, Ferrier Lullin, Bank Ehinger, Cantrade, Armond von Ernst and Banco di Lugano) each appealing to its own particular client segment.

Conclusion

Here the principal objective was to consider the key strategies adopted by wealth managers, specifically in the context of the e-enabled environment. A multi-channel approach to wealth management is now certainly being adopted by all but a few, although the approach to channel branding often differs. The single brand multi-channel strategy is, however, meeting with a general acceptance. This does not mean that innovative new entrants cannot gain market share and, as we have seen with the introduction of aggregation services, the potential does exist for disintermediation. The resultant danger is that the market will then fragment into single service/ product providers at a time when clients are increasingly demanding the opposite in order to deal with their ever complex financial needs. As a result it has been seen that branding is becoming more important in building and maintaining client relationships and, through appropriate segmentation, services can be delivered at the right time, through the customer's channel of choice (in reality most have elected to take a combined approach, adopting elements of more than one strategic choice. This reflects the immaturity of the online wealth management market, where long-term success is in short supply and the winning strategy remains unclear). However, the method of segmentation varies and as result there remains much uncertainty still about the segmentation formula that works.

Moreover, the second objective was to understand the impact of e-commerce upon the wealth manager's competitive position. Rethinking business strategy in a customer-focused manner requires a detailed understanding of client needs and the capabilities of the wealth services, providers. Private banks must also accept that to retain a competitive advantage it will not be enough to simply preserve the air of exclusivity. They must also compete for the new wealth, enhance their service and reduce costs of they are not to see their client bases mature. This is where e-commerce can help. It enables CEO's to focus upon 'differentiation' (as opposed to cost leadership) through distribution channel strategies and new products, interactive tools and online services are now emerging as wealth managers seek to tie clients to their special brand of wealth management. Traditionally, three generic market strategic have been put forward, namely cost leadership, differentiation and focus. However, the ultimate market goal must be to achieve a competitive and profitable advantage over rivals. In this respect e-commerce can facilitate all three, albeit that client perception and reality sometimes differ and few wealth managers have yet been able to provide a single interface to provide a solution to all a clients needs. Therefore, hard choices may have to be made in order to determine whether they remain, as Robinson *et al.* (2002) suggested, 'traditional wealth managers', 'extended wealth managers or simply 'wealth product providers'.

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