Private Banking: Redefining the Game Through Mobility

The nature of the private banking business makes mobility a particularly challenging proposition. We believe that an all-inclusive, cross-platform application for private banking can be a game-changer for both customers and wealth managers.

Executive Summary

The increasing use of mobile devices, such as smartphones and tablets, has prompted banks and other financial institutions to offer platforms, as well as proprietary and third-party applications, that enable their customers to perform most banking transactions without ever having to visit a bank branch. The logical next step in this evolution is to make private banking (PB) services available on mobile devices. At the same time, the nature of private banking and the profile of the target clientele make this a complex proposition. Since most private banking services are personalized, packaging them into a single application can be formidable. In this paper, we will examine the factors behind this issue, and discuss how banks can overcome the challenges of setting up a comprehensive, easy-to-use private banking app. We will also take a detailed look at clients’ and private bankers’ wish lists for mobile and tablet-based banking apps, and explore how tools embedded in these applications function in real-life scenarios. Finally, we will show how institutions can benefit from expert consulting services when developing a private banking application for mobile users.

The Challenges of Private Banking Mobile Apps

Offering specialized, personalized banking and financial-advisory services to High Net Worth (HNW) customers is one of the most lucrative areas of the banking business. However, the scope of private banking is no longer restricted to managing the investments of these customers; it can encompass estate planning, investment banking and managing customers’ philanthropic endeavors, which by their very nature are highly customized. In these scenarios, developing a mobile app that captures the entire range of private banking services and persuading customers to use it for their private banking needs is a challenge for most financial institutions.

Post-2008, a number of non-traditional markets for private banking services emerged, including Asia (ex-Japan), the Middle East, Latin America, Central and Eastern Europe, and Africa. This exacted a price on established PB markets in North America, Western Europe and Japan. (The non-traditional/emerging markets are likely to have a 37% share of the global millionaire wealth by 2016 – a 14% increase from 2008).
This evolution and the period over which it is likely to happen coincides with innovations in and increased adoption of personal mobility devices, such as smartphones and tablets. However, the profile of a typical private banking customer is not expected to change dramatically, and the growing use of mobile devices may not apply immediately to high-value and sensitive transactions.

The following are a few reasons why private-banking customers may hesitate to avail themselves of PB services over their mobile devices:

- **Customer profiles.** According to a McKinsey Global Private Banking survey conducted in 2013, the average age of a private banking client in North America (one of the strongest traditional markets for such services) is over 60 years old – a statistic that is liable to replicate across the established private banking markets. While these customers may use mobile devices for routine banking transactions, they may not be receptive to the idea of performing transactions involving sensitive information and significant sums of money from their mobile phone or tablet. They are generally more comfortable having discussions and conducting private-banking transactions either at the bank branch or at home in the presence of their banker.

- **Nature of services and transactions.** The nature of private banking services and transactions is such that most PB customers prefer performing transactions in person rather than electronically. However, they might opt for electronic transactions under special circumstances, such as those related to time or geographical constraints.

- **Secure access.** In Asia, most UHNW (Ultra High Net Worth) and HNW individuals are first-generation wealth creators. Hence, they might be more amenable to PB services delivered through electronic devices. However, concerns about the security of online transactions and communications, particularly in this geography, may curb the use of mobile devices for PB transactions.

- **Increased sophistication of online financial fraud.** Identity theft has been recognized by at least one survey as one of the main reasons for fraud in the private banking space, along with account takeover and fraudulent documentation. This kind of media exposure might deter PB customers from using mobile devices for banking and associated transactions.

- **Easy access to other channels.** For customers, accessing PB services over mobile devices is not the only or most convenient option. They can avail themselves of similar services at specially designated bank branches, have their banker or financial advisors visit them at their home or workplace, or use laptops and desktops to perform the same tasks. There is no imperative to use mobile devices.

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**Source:** Booz and Company: Global Wealth Management Outlook 2014-15. Numbers shown represent a percentage of respondents.

Figure 1

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**HNW Clients Use of Mobile Devices for Financial and Account Management**
On the other hand, an increasing number of clients are getting used to goods and services being delivered online. Their experiences with digital shopping, booking tickets and planning travel, for example, have raised their expectations for similar services from their banks and wealth managers. As smartphones and tablets integrate more and more into the lives of PB customers, banks should consider offering them multichannel, round-the-clock wealth-management experiences. Also, as compared to older customers, younger HNW individuals are likely to be more receptive to newer technologies for their private banking and wealth-management needs.

The APAC region, which has a higher concentration of first-generation wealth creators, also leads in smartphone penetration⁶—a key indicator of mobile banking usage. This category of HNWIs is most likely to embrace private banking functions over their smartphones/tablets.

Banks and financial institutions offering PB services have made the effort and borne the cost involved in developing PB apps for mobile phones and tablets. While advancements in mobile technologies have made these devices capable of offering most of the services provided by private bankers or wealth managers, the question remains: Can existing mobile banking apps for private banking offer the entire gamut of PB services through mobile devices?

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**Smartphone Penetration**

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<tr>
<th>Region</th>
<th>Non-Smartphone</th>
<th>Smartphone</th>
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</thead>
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<tr>
<td>Hong Kong, Singapore, Malaysia</td>
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<td>72%</td>
</tr>
<tr>
<td>Australia, China, Thailand, Indonesia</td>
<td>28%</td>
<td>72%</td>
</tr>
<tr>
<td>India, Philippines, UK, France, Germany, U.S.</td>
<td>28%</td>
<td>72%</td>
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</table>

**Source:** "The Asian Mobile Consumer Decoded" - Nielsen Report

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Source: Booz and Company: Global Wealth Management Outlook 2014-15

Figure 2

Source: "The Asian Mobile Consumer Decoded" - Nielsen Report

Figure 3
A report by MyPrivateBanking.com offers some significant statistics. The study analyzed the apps of 30 leading private banks and wealth managers, selected based on their assets under management and their mobile presence. For an app to be included in this study, it had to have the functions that a private banking or wealth management client would use, e.g., portfolio review or trading capability. Additionally, all the apps of the banks on the four main platforms used by mobile devices, namely iOS, Android, BB and Windows Phone, were considered.

The banks were rated against parameters like availability of apps, core functions, support features, content and marketing, integration of other online media and user-friendliness.

Figure 4 includes results from the survey.

Although the top-ranked banks had respectable scores, the average was 37 – indicating substantial room for improvement in the mobile apps offered by the leading private banks worldwide.

On the other hand, the statistics in Figure 5 point to the fact that despite less-than-optimum apps for mobile phones and tablets, mobile banking has found favor with customers. While these findings pertain to retail banking, one can still draw parallels to the private banking channel.

Figure 5 shows that mobile and tablet banking are the second or third most popular banking channel, depending on the country.

A substantial proportion of customers access their banking accounts over their smartphones/tablets, more so in developing countries (see Figure 6, page 5).

Figure 7 (see page 6) is significant from a bank’s perspective, since it shows that frequent users of mobile banking have a higher loyalty score than non-users.

Clearly, by giving the mobile and tablet banking channel its due, and providing apps with comprehensive features, content and marketing, integration of other online media and user-friendliness.
prehensive functions and features for these channels, private banks and wealth managers can potentially reduce expenses through lower transaction costs, retain more clients, and increase penetration in previously untapped areas.

Client-Facing Apps
An all-inclusive private banking app should have the following features/functions in order to be a viable alternative to other channels. While existing apps may have some or most of these attributes, integrating all in a single application can result in a superlative private banking app for mobiles and tablets.

- **Wide acceptability.** A viable private banking application should function well on most mobile and tablet operating systems and platforms, and be equipped to retain those capabilities on all future versions of the OS.
- **Consolidated reporting.** Also known as relationship reporting, consolidated reporting should include the positions of all of the customer’s assets and liabilities held with the bank.
- **Reporting of non-proprietary investments.** Investments not held with the bank should also be part of the customer’s overall reported portfolio. Transactions induced by non-customer and corresponding positions should be updated on a regular basis.
- **Portfolio updates.** Portfolio updates should be made available on both regular and ad-hoc bases. Transactional and positional data should be accessible. The app should provide for updates/alerts from the bank/wealth manager about the customer’s portfolio, as well as other investment options dealt with by the bank.
- **Portfolio reminders.** Reminders regarding portfolio reviews, risk profile reviews and alerts about specific transactions and positions should be available.
- **Research.** The app should provide access to research reports published by the bank and other third-party entities.
- **Viable alternative to meetings.** The app should offer access to the private banker/wealth manager through modes such as online chat, video chat (such as Skype) or any other secure social media application. These channels should also allow customers to join or stream online investor meetings and forums arranged by the bank. Some banks are already in the process of rolling out such services.7
- **Transactions capability.** The app should allow users to carry out all required banking and investment transactions through their personal
electronic devices. Adequate safety measures, such as security devices, virtual keypads and fingerprint recognition should be enabled.

- **Data storage options.** The user should be able to upload, download and store data on the medium of their choice — whether through their device or via the cloud. Access to this data should have no restrictions, wherever it may be stored.

- **Non-banking transactions.** Customers should be permitted to perform non-banking transactions through their devices, e.g., make changes to their personal profile.

- **Rating, feedback and grievance handling.** The app should allow customers to rate their bankers, advisors and wealth managers, and offer feedback on the services and recommendations provided by the bank. A grievance-handling mechanism should be part of this application.

- **Integration with retail banking services.** The app should provide integration with other retail banking services, e.g., bill pay, card management, third-party payments, checkbook requests, etc.

In addition to the above, the survey conducted by MyPrivateBanking.com® highlights the limitations of current mobile banking apps for private banking (see Figure 8 on the following page).

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**Applications for Bankers and Wealth Managers**

Application functionality is equally critical for private bankers, advisors and wealth managers. A comprehensive wealth-management application can optimize the performance of the wealth manager by enhancing customer services and increasing revenues for the bank. Ideally, a wealth-management solution for banks should offer the following:

- **A 360° view of potential clients.** A consolidated view of the entire existing banking relationship with a potential client enables wealth managers to make a more informed and more targeted presentation to the client.

- **Easier onboarding.** The app should allow the wealth manager to onboard a client with the least possible paperwork, in the least amount of time — preferably soon after making a proposal.

- **A viable alternative to meetings.** The app should enable online chats through messenger applications, video conversations through Skype and other similar apps, and also offer support for closed user-group meetings for a specific set of clients, e.g., those handled by a single wealth manager.
Comparing Apps of Major Private Banks

PRESENCE ACROSS PLATFORMS

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CROSS-PLATFORM FUNCTIONALITY COMPARISON

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Note: This comparison of features and functions was done based on information publicly available on Websites and through app stores. The comparison is hampered by the fact that several functions can only be accessed through individual logins.

Figure 8

- **Client order execution “on-the-go.”** The app should allow the wealth manager to execute client orders for discretionary and non-discretionary portfolios from any location. This level of functionality is essential for wealth managers, who do not always operate from an office desk.

- **Complete wealth management functionality.** The app should be able to perform all of the functions that a similar desktop application would. The wealth manager should thus be able to perform end-to-end financial planning for customers from his/her mobile phone or tablet, including profiling, proposal generation, order execution, etc.

- **Regulatory compliance.** The app should be capable of factoring in regulatory changes that impact its core wealth-management functions through regular updates.

- **Innovative display capability.** An app used by wealth managers should have multiple display options that can be accessed from any location for any type of customer. For example, an application such as PhotoBeamer can transmit images from a phone to a desktop screen. This can be useful for clients who find it difficult to comprehend images and information on the wealth manager’s mobile phone or tablet due to the small screen size.
• **Innovative communication capability.** The app should allow the wealth manager to set up and conduct client meetings online or via video chat with fund managers, the bank’s research team, etc. The capability to set up these types of interactions for all or a select group of clients, with the parallel ability to share research information, should be available.

• **Flexible and scalable.** An app for a wealth manager must integrate with the bank’s existing IT infrastructure. It should offer similar functions across operating systems and platforms, and be flexible enough to accommodate more advanced versions of the bank’s core banking and wealth management systems. The app should also be equipped to cater to any increase in the number of wealth managers that the bank may employ.

**The Role of Consulting Firms**

While the process of developing and/or enhancing an existing mobile banking app — from creating the mobile architecture to building proof-of-concept (PoC) and roll-out — might appear to be more of a technical task for a third party, a qualified consulting firm plays a very important role here. Technical teams have an easier job if the scope of their work and the scope of the functions they are trying to incorporate in the app are defined for them from the very beginning. A consulting team with the right domain expertise can offer the following services — thereby laying the groundwork for the IT architects and other IT teams:

• **Analysis of expected returns.** During this phase, consultants help the bank decide whether to enhance its existing application or develop a new one altogether. The cost of development can be considered in light of the potential benefits for the bank, such as savings on cost, increased revenue, more customers, etc.

• **Strategic fit.** Deciding if a private banking mobile app is the best fit for the bank’s business strategy and business model is critical. The consulting team can also assess the threat of cannibalization of other channels.

• **Countering obstacles to adoption.** A qualified consulting team can help banks analyze the key reasons why customers are not installing the app, or are not using it effectively. Removing these obstacles and increasing the penetration of the app is more important than incentivizing customers.

• **Process redesign.** Banks that are leveraging mobility initiatives to bring about key changes in operational processes can engage consulting firms to redesign and document their processes using industry-standard process-modeling tools.

**Limitations of Current Mobile Banking Apps for Private Banking**

![Image of limitations]

*Source: myprivatebanking.com
Figure 9*
• **Prioritizing needs.** The consulting team can perform a detailed study to determine if the enhancement/development plan addresses the issues currently faced by the bank’s customers and the bank itself. If the plan is sufficient, the consulting firm can help in confirming the issues that need to be addressed first.

• **Commercial feasibility.** Some items in customers’ and banks’ app wish list may not seem commercially feasible. However, a final decision to proceed with them can be made following an analysis of future requirements and the future environment in which all stakeholders will have to operate. The marketing cost of such endeavors would also need to be factored in.

• **Adoption curve.** The consulting firm can provide an extrapolated view of how quickly and at what cost this new technology will be adopted by the target users, i.e., customers and wealth managers.

• **Competitor assessment.** A study of existing competitors’ solutions and their likely response to the bank’s own solution can be carried out.

• **Candidates for Proof of Concept (PoC).** Based on all of the above, the consulting firm can prepare a list of likely candidates for the PoC. Those that best support the consulting and IT firms’ capabilities and are also indicative of the core requirements of the bank would make the cut.

**Conclusion**

Bigger, better and faster mobile devices, as well as highly evolved operating systems, have made smartphones and tablets a viable alternative for performing many tasks that not so long ago would have required a laptop or desktop. These systems are capable of carrying out all of those functions and more at the same time — without being bound by the limitations of time and place. Apps are available for almost every imaginable activity. Prevailing mobile banking apps are equipped to support most traditional banking activities — attributes that make it possible for private banking apps to offer core PB services over smartphones and tablets.

An all-inclusive, cross-platform app for private banking can be a game-changer for both customers and wealth managers. It is also an area that promises more visibility into customers’ and banks’ needs, and better business for both IT and consulting firms. Given the speed at which mobility is impacting existing industries and creating new ones, the private banking app might very soon become the top channel for banks, rather than just an add-on.