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Meeting Affluent Consumers' Needs Poses Financial Opportunities and Challenges

by Nino DeNicola

For the middle-income consumer, asset management is a relatively straightforward matter. The problem is matching income to obligations, with asset growth a hoped-for goal.

For the more affluent, however, a broader and more complex range of options is available. They are faced with challenging decisions which represent areas of opportunity for the alert banker.

Research into attitudes about financial guidance provided by banks and investment firms, as well as by individual consultants such as planners, accountants, attorneys and brokers, provides some insights into these challenges.

When it comes to managing their financial affairs, most affluent consumers are going it alone, however, there is a great undercurrent of ambivalence regarding this state of affairs. On the plus side, those affluents who manage their own affairs articulate three desired results: they maintain control, they know they have their own best interests at heart and, of course, they save whatever fees they might have to pay for outside advice.

On the other hand, they face the problems of getting up-to-the-minute information, finding the time to keep up with fast-moving developments, not only in the investment world but in related regulatory and tax areas, and of missing out on potentially valuable opportunities.

Despite these very real challenges, we found very few affluent consumers have chosen to place significant responsibility for their financial affairs with professional planners or consultants.

Perceived psychologically, there is a clear, repeatedly articulated resistance to what these consumers perceive as "giving up control." And practically, the questions raised about the professionals revolve around such considerations as:

- Will they operate out of self-interest?
- Will they really care about my needs and take the trouble to understand my individual situation?

Convincing independent affluent consumers to utilize professional financial guidance poses challenges and opportunities.

- Will they churn my account?
- How do I judge competence and expertise?
- Will the cost be justified?

These considerations militate against the more extensive use of professional financial guidance and account for the low level at which such guidance is currently being used. The need for professional financial guidance, however, and the opportunity which that need presents, are also apparent. Indeed, these convictions and attitudes suggest that there are wide-ranging opportunities which fall into four groups.

1. Many of the affluent consumers interviewed saw professional planning and guidance as desirable, if unattainable. This was particularly evident among older, retired individuals, who showed less concern about personal control.

2. The financial service product concepts explored in our research received a particularly favorable response when they were oriented around planning and information.

3. Certain specific institutions, and particularly large banks, were perceived as objective and credible, with financially conservative attitudes and sophisticated information resources.

4. In the context of today's service mentality, having a trusting relationship with an individual can help to build or solidify loyalty to his or her institution—bank, brokerage firm, etc.

The advantage a bank can derive from providing financial planning and consultancy services to affluent consumers is self-evident. Apprehensions and ambivalence in three key areas must be addressed.

Based on detailed feedback from affluent consumers, a successful account officer would:

1. Have long-term experience in the business and at the specific institution—that is, not a recently-minted MBA—plus considerable street savvy (rather than just academic knowledge).
2. Be well paid; probably not a narrow specialist but a generalist.
3. Be proactive, providing an aggressive brokerage function to assure that the client misses no opportunities.
4. Be capable of entering into a true partnership with the client, ready to assist in goal-setting, where appropriate.
5. Be able to "stroke" the client, even bending the rules when necessary, paving the way to painless banking.
6. Personalize the information going to the client, flagging documents individually and filtering data from, and interaction with, other specialists as needed.

The client must be offered the opportunity to participate in the assignment of this account officer; possibly interviewing candidates in advance. The bank will probably need to be in a position to match client requirements not only in terms of demographics, but also in their ability to interact with varied client types, from those firm in their own knowledge to those requiring and welcoming education.

Access to the account officer/planner should be flexible, probably face-to-face meetings early in the relationship and once or twice yearly thereafter, with ready telephone availability.

Beyond the careful selection and assignment of the appropriate account officer, the bank seeking to expand its business with affluent customers via financial planning services must be seen by their customers as a source of reliable, objective information.

The affluent investors wanted personalized information to help them evaluate both their own progress in meeting preset goals, and their standing vis-à-vis others of similar standing. They also wanted a flow of general financial information—geared to their needs and perhaps flagged for their attention. Customers are especially interested in establishing guidelines pertinent to meeting selected goals, and description and evaluation of investment opportunities, including real estate and more esoteric vehicles such art, collectibles and foreign options and tax planning guidelines.

These investors wanted such information to be timely and sophisticated, reflecting quality research, written in plain English.

The third area requiring attention—certainly the one requiring the most creative thinking on the part of the interested bank—is compensation.

Regardless of their level of affluence, these consumers do not demonstrate great interest in paying for professional planning and guidance from a financial institution. Some felt that maintenance of a high minimum balance should be sufficient. Others assumed that payment could be based on an hourly rate, or might be proportionate to invested assets.

In almost every case, however, consumers were adamant about linking payment for professional advice to the performance of their accounts.

Dealing with those attitudes is a challenge to bank marketers' inventiveness. It is, however, a challenge which can be enormously rewarding if it is properly met. ■

Nino DeNicola is president of Dialogue Resource, Inc., of Fairfield, CT, a market research and consulting firm.