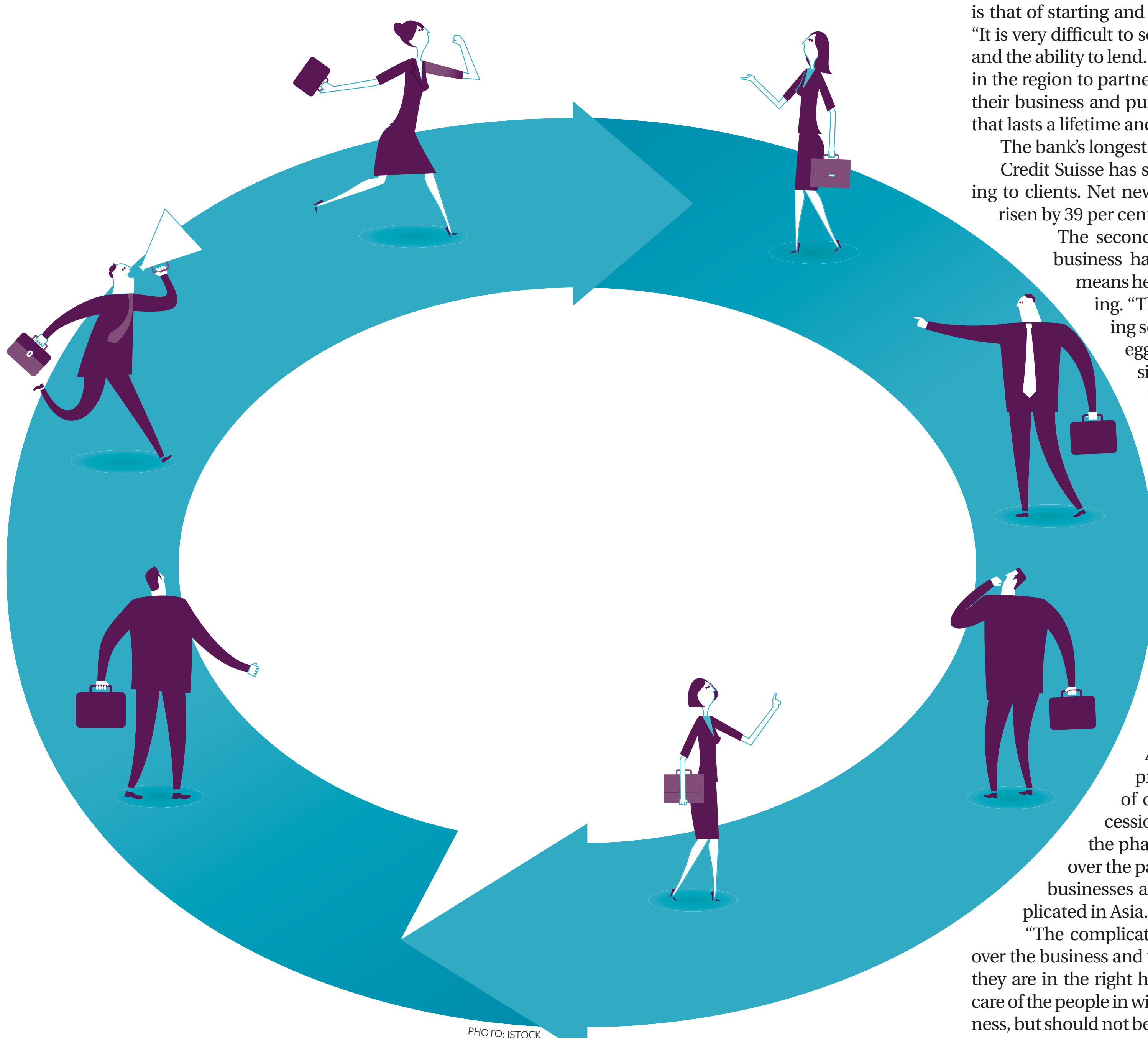
Taking a phase to phase approach

Credit Suisse's Francesco de Ferrari sees the bank's service offerings in Asia in terms of the entrepreneurial life cycle

By Genevieve Cua



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FRANCESCO de Ferrari founded and led three business ventures before he joined Credit Suisse in 2002. So it is perhaps not surprising that as head of Credit Suisse private banking (Asia-Pacific), he sees the bank's service offerings in Asia in terms of the entrepreneurial life cycle. After all, the majority of Credit Suisse's client base in Asia comprises first generation entrepreneurs. This, he says, "makes a big difference in terms of how we need to structure our business and capabilities to be successful".

To date the approach appears to resonate with clients. Assets under management in the region have grown to 147 billion Swiss francs (S$209 billion) as at end-March, from around 85 billion francs in 2011, an annualised growth of over 11 per cent. The number of relationship managers has grown from 400 to 510.

The ultra high-net-worth clientele's share of the business has also grown from 50 to 60 per cent. This segment is defined as those with assets in the bank of at least 50 million francs or total wealth of 250 million francs.

While economic expansion in Asia underpins the growth in client assets, by far the larger factor driving assets is client satisfaction, he says. "Over the long term our business is clearly linked to some macroeconomic fundamentals. The more economic and population growth, the more people become wealthy, the more business for us...

"The best driver is having satisfied clients. Happy and satisfied clients bring in more business, more referrals. This is a business of trust."

The entrepreneurial life cycle, he says, has four phases. The first is that of starting and building a business and here, funding is key. "It is very difficult to serve this client unless you have balance sheet and the ability to lend. We have been deploying a lot of balance sheet in the region to partner clients, because if you can help them create their business and pursue their dreams, this creates a strong bond that lasts a lifetime and hopefully into the next generation."

The bank's longest client relationship is 85 years.

Credit Suisse has significantly expanded its balance sheet lending to clients. Net new lending to ultra high-net-worth clients has risen by 39 per cent across all regions since 2013.

The second phase is that of consolidation. The client's business has grown and may be publicly listed, which means he or she is able to tap capital markets for financing. "The client realises he would like to start spending some money to improve his lifestyle. And all his eggs are in one basket. Having sat on the other side, I think it's typically a difficult conversation to have because entrepreneurs are fundamentally optimistic about their capabilities and the success of their business.

"In reality, the service you need in this phase is someone who can take highly concentrated wealth and start creating financial wealth from that."

The bank is able to lend against concentrated single-stock positions, using equity derivatives, for instance, for stocks that are listed. It also has a products and solutions team that is able to extend financing for unlisted company shares that are typically highly illiquid.

The third phase is succession planning, an issue of deep and growing interest among Asians. Almost every major private bank has programmes to cater for the next generation of clients and a dedicated team to address succession planning. "For a number of clients, this is the phase they're in now. Their businesses were built over the past 20 or 30 years. A very significant number of businesses are set to change hands. Typically this is complicated in Asia...

"The complication is that you need to make sure you hand over the business and wealth to the next generation, taking care that they are in the right hands and growing. But you also need to take care of the people in wider families who are not interested in the business, but should not be shortchanged on participating in the wealth."

Credit Suisse recently hosted its second family office event in Hong Kong, attended by about 120. Last year, the event attracted some 100 participants. "You find completely different approaches and logic. There is the entrepreneur who wants his children to run and grow the business. There is also the entrepreneur who wants his children to have their own experiences. So he wants to create the capital for them to run their own businesses...

"And you have the ones who want financial wealth and who focus on philanthropy and giving back."

Its white paper, in partnership with Campden Wealth Research – "A roadmap for generational wealth planning" – finds a significant planning gap. Just 27 per cent of respondents, for instance, consider their families to be prepared for generational wealth transfer. A quarter of participants do not consider transfer preparation to be a key objective for the family.

In addition to a NextGen programme, the bank also hosts "Family Ties", a more intimate event that gets together two or three generations of a family to discuss a number of issues. The most recent event was attended by eight families.

Meanwhile, the ability to hire and retain good relationship managers (RMs) is yet another growth driver. Mr de Ferrari says the industry's staff turnover has stabilised as business consolidates. "You would tend to get a lot of musical chairs when there are new entrants that need to build their business. They have big cheque books and then they realise that this is not successful. It creates a lot of unnecessary turnover...

"Sooner or later you gravitate back (to us) because there are few players with such a strong platform that makes such significant investments in products, IT... This business is becoming more and more complicated."

He adds that it takes time to get familiar with the bank's capabilities and to understand how these can serve clients. "The longer you stay with the bank, the more successful you become. If you have a very strong platform, you are able to retain clients and RMs for the long term, which is extremely important."

Earlier this year the bank rolled out its digital platform here, the first launch site to be followed by the US, Switzerland and Europe. The platform was designed with a client-centric approach. That is, the bank analysed how clients make decisions in relation to their finances. The majority of clients are what it describes as "validators" – those who want to understand investment opportunities and tradeoffs to validate with their advisers.

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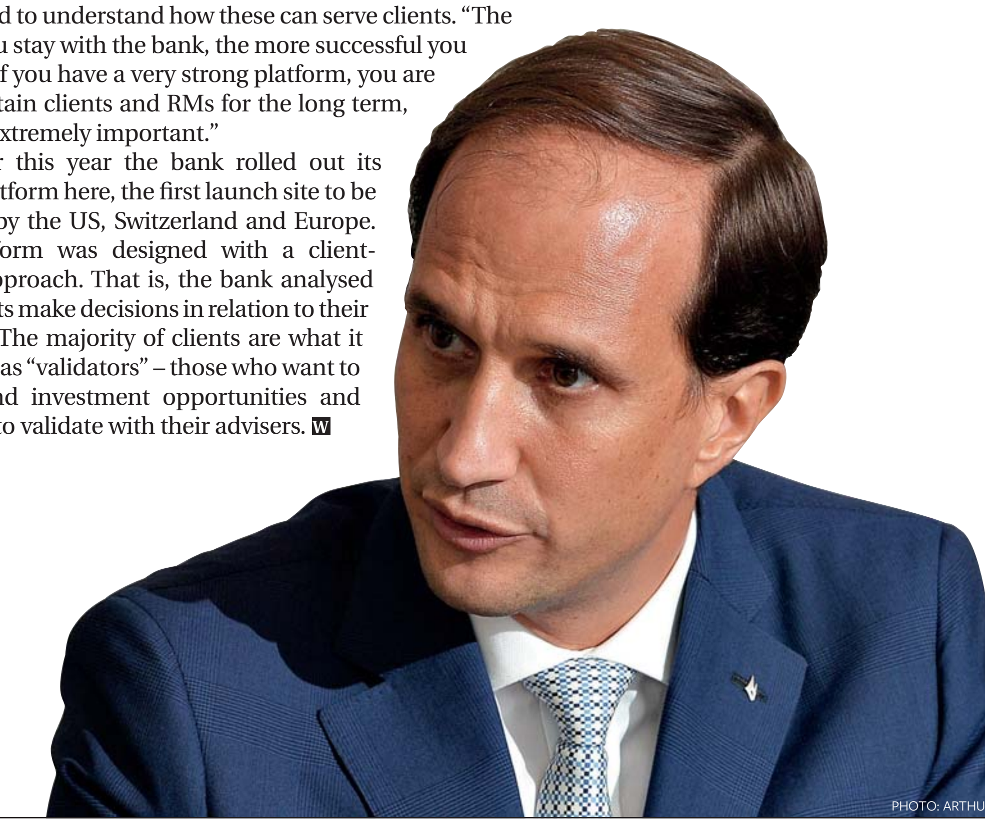

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