

E-COMMERCE AND WEALTH MANAGEMENT SERVICE

Mohammed Shahedul Quader
Business Administration, U.S.T.C., Chittagong

and

M. Abu Bakar Siddique
Bangladesh Insurance Academy, Dhaka

and

Ezaz Ahmed¹
Department of Management and Business, BRAC University, Dhaka
ezaz@bracuniversity.ac.bd

ABSTRACT

The aim of this paper is to identify wealth management services and the impact that e-commerce has had upon its range and delivery. The study reveals that e-commerce undoubtedly provides technological opportunities to expand services and introduce new and sometimes innovative tools and functions to enhance client relationships. However, it is found not to be a panacea, with improved client and relationship manager supplied information more critical to success. It also considers the impact of e-commerce on CRM where attempts at segmentation have met with mixed results and client needs are still to be effectively served as a whole.

Key Words: Ecommerce, wealth management, CRM

I. INTRODUCTION

The size of the current wealth management market and its potential is hard to quantify accurately, being based as it is upon global wealth data and variations in the definition of such wealth. The purpose of this article is to focus upon the services provided by the wealth manager, seeking to establish how demand from High Net Worth Individuals (HNWI) is evolving and how the delivery and range of wealth management services is changing. Within this the impact of e-commerce needs to be understood, particularly where it has an effect upon the way in which customer relationships are managed. This is after all, critical to the understanding of the strategies now being adopted by wealth managers and supports this paper's objective of assessing the overall impact that e-commerce is having upon the provision of services to the High Net Worth (HNW) market.

II. TRADITIONAL WEALTH MANAGEMENT SERVICES

Recently the wealth management market has increased in the breadth of services offered, with new multi-currency banking cash management, global custody and securities processing services as additions to more traditional private banking services – portfolio management, trust and estate planning (Haplerin, 2001). Whilst designed to meet the High Net Worth Individuals (HNWI) needs; does the perception of wealth management mean the same to financial institutions and HNWI's? (As only by understanding this gap can providers effectively serve their customers and profit from the opportunities the wealth management market presents). Convenience and efficiency are fine as deliverables – but there must be some added benefits to the clients if they are to be remaining long-term customers of an organization.

1. For all correspondence

Wealth management delivery has traditionally been mixed. An UK survey by Data monitor in 2001 found one-in-three respondents considered the standard of financial services provision unacceptable and in a PSI Group study in the USA more than half of the respondents felt that no one institution was able to service all their needs (Donaldson, 2002). Yet, paradoxically, despite these findings more providers are offering a ‘one-stop shop’ designing complementary products to satisfy the HNWI’s needs and then wrapping them in ‘silos’ for cross-selling as opportunities arise. Whilst clearly they are able to provide the products, they do not yet seem to be (in the view of their clients) in a position where this can also be matched by adequate delivery strategies and service.

However, despite this the perception of private banks still remains strong. A VIP Forum survey of affluent Americans in 2000 (Donaldson, 2000) found them three times more likely to use a private bank or trust company than the next closest type of institution (brokerages) and fifteen times more likely than an insurance company. They concluded that private banks, trust companies and family offices provided the ‘understanding’ required by the affluent (if matched by well-researched and appropriate advice) and that they were better placed to source solutions in conjunction with the clients other advisers, e.g. lawyer, accountant or tax specialist (rather than relying on ‘in-house’ solution). Whilst overall this tends to suggest that the market suffers from a degree of customer apathy towards traditional providers it also shows that for newcomers more needs to be delivered than simply a different product. How, therefore, is e-commerce changing the market for wealth management services?

III. THE DEMAND FROM HIGH NET WORTH CUSTOMERS

A. Changing Customer Attitudes

The demand from HNWI customers, whilst growing, is changing as the attitudes of the rich evolve. Jebb (2001, pXXI) suggests the profile of the HNWI will “... be more risk-aware rather than risk-averse, move from being performance-aware to demanding performance, be more likely to be in receipt of an earned income than inherited wealth, be more demanding of performance, service,

remote channels, transparent pricing and information”.

This shift in attitude has resulted in a trend towards alternative investments, increased financial accessibility and greater accountability from wealth management providers. Changes in modern lifestyles and the business environment (e.g. two incomes/no family, second homes, share options, IPO’s etc) are also influencing the HNWI’s propensity to shop around and their choice of service provider. Consider also the needs of newly affluent sector, which are likely to be more varied and less well understood than for traditional HNWI’s. Koppel (2000) predicts this group will have a greater propensity towards technologically based services and a one-stop approach [this contrasts with a PSI Group study of wealthy Americans in 2000 (Donaldson, 2002) showing more affluent groups dealing with up to nine different financial institutions).

However as younger affluence inherits wealth they take with them their propensity to use multiple channels, ‘self-select’ solutions, demand performance and view their financial position in one aggregated format. Therefore, it is probable that the demand for online solutions will increase, with new technological advance (e.g. mobile telephony) making future demand difficult to predict. The success of Charles Schwab and Harrisdirect in the online brooking sector would suggest that in some sub-sectors of the market client attitudes are already shifting in sufficient numbers to make online (or predominantly online based) business models work.

Donaldson (2002) suggests that wealth management impacts upon all aspects of HNWI’s financial lives. Each financial quadrant constantly changes and becomes difficult to control [even assuring a high level of financial sophistication]. Income and job instability, changing spending patterns, retirement provisioning, falling stock markets and house price inflation all cause uncertainty, generating demand for personalized advice and counsel. This is because customers often have difficulty in ‘understanding, anticipating, synthesizing, and translating their needs into actionable forms, driven as they are by factors such as their life stage, experience and knowledge, personal circumstances and the environment within which they live. We all to a degree experience financial uncertainty and there is

no doubt that financial complexity is increasing certainty reducing and the need to mitigate financial risk becoming ever more critical.

However, whilst the demand exists, there is also the need to understand why wealth management services are taken up. Pricewaterhouse Coopers (2001) suggest that is personal relationship that matters most, followed by service quality, personal recommendation, image, investment performance and valued advice. HNWI also want to be recognized as valued customers receiving personalized help, recommendations, information, education and advice in order to understand their implications and make balanced long term decisions. However, according to IBM Global Services Bridging the Wealth Management Gap' (Jebb, 2001) the wealthy client also often feels frustration with having to establish new relationships (often with different parts of the same business), inadequate customer knowledge, poor or inappropriate advice, over optimistic promises, high charges and lack of transparency. Furthermore, if reports that 49% of HNWI's still manage their own portfolios are correct (Jolliffe, 2002) then it is clear that the demand form this segment is still not being satisfied on a widespread basis. As clients become more demanding it becomes more critical for the wealth manager to understand their buying and plan their services accordingly. If not they cannot hope to gain competitive advantage and run the risk of being marginalized by those providers that can. It is therefore in this area that this study will seek to establish the role that e-commerce has in overcoming such weaknesses.

B. Online Demand

It has been estimated that around 50% of wealthy households are online (Krebsbach, 2002) with research by Scealy et al (2002) suggesting that the propensity towards online banking is greatest amongst highly educated males. How therefore might online demand of wealth management services develop?

Whilst the Internet facilitates the introduction of multi-channel wealth management offering, financial institutions frequently forget basic management principles – overlooking relevant client segmentation and the need to develop the effective online services and tools (Lomax 2003). Account should also be taken of customer attitudes

towards both the usefulness of and their willingness to use, Internet banking solution. Liao & Cheung (2002) in a study of the market acceptance of e-banking concluded that accuracy, security, transaction speed, user- friendliness, user involvement and convenience were all important factors in the customer's perceived usefulness of such services. However, 'convenience' was not found to correlate with the willingness to use online service.

Further research by Line & Lu (2000) also suggests that system accessibility has little influence on the perceived usefulness of website functionality, but that information quality / interaction does (despite these two studies, speed and convenience are often put forward by financial services providers as two of the most important deliverables for Internet services). If so then how have the wealth management providers reacted?

The response so far has been mixed. At one extreme some have yet to develop beyond simple brochureware web sites, offering little or no interactivity for clients, e.g. Duncan Lawrie Private Bankers ([http:// www. Duncan-Lawrie. Co.uk /](http://www.Duncan-Lawrie.Co.uk/)). At the other end of the scale sophisticated online offerings are now seeking to meet the demand for information quality and interactivity. For example, the likes of Bank Vontobel ([http:// www. vontobel. Com/](http://www.vontobel.Com/)) Citigroup Private Bank ([http:// www. Citibank. Com/ private bank](http://www.Citibank.Com/privatebank)), Merrill Lynch ([http:// www. intlemlol. com/](http://www.intlemlol.com/)) and Credit Suisse ([http:// www.cspb.com/](http://www.cspb.com/)) all offer a range of sophisticated market news services, stock reports, professional analyses and a variety of financial tools to help the user personalize his or her online experience.

However, the lack of consistent delivery/ design amongst wealth managers, and the relative lack of attention to other influencing factors, may be the reason why there has been a slowdown in the initial take-up rate of online financial services offerings. It could of course be for more complex reasons. Liao et al (1999) in seeking to apply the theory of planned behavior (i.e. that "behavior is determined by intention to perform the behavior) to the adoption of virtual banking, concluded that there was no explanative link. This suggests online demand is a complicated subject, where demand remains at times irrational, difficult to forecast and where wealth management providers should monitor trends carefully. Given that online user

numbers are still rising it is also an area where those ignoring their demands may soon see their competitive position eroded.

C. Segmenting Demand

Defining HNW client categories has taken up much research effort in recent years. A Spectrum Group study of affluent market (Asher, 2001) identified five principal investor types, through contrasting personality types. : HNW Investor Types and can be summarized as follows:

- Loyalists, Loyal to current provider, with low propensity to move 37% are involved in their day-to-day investment decisions.
- High Maintenance: Younger, active investors seeking access/availability. Leading adopters of technology. Mean age 47, 70% male, 77% actively involved with investing and 75% valuing online access. Readily seek advice from multiple sources. Mean investing assets US\$ 1.5 m, mean net worth US\$ 2.6m. Mean income US\$188,000.
- Discounted & Online (or D-I-Y). Dissatisfied with current provider. Comfortable making own decisions, accepting online/telephone-based advice and trading as an alternative to personal advisor. Mean age 55.80% male 60% value online access. Mean inevitable assets US\$1.4m means net worth US\$2.0 m and mean income US\$226,000.
- Immersed, Require/ pay for investment advice and more dependent upon advisers to make decision. Mean age 54, male 61%, 55% actively involved in day-to-day investment decisions. 75% require multi-provider products and 80% satisfied with their advisers. Mean investable assets US\$1.7 mean net worth US\$2.8m and mean income US\$230,000.
- Uninvolved, Passive approach to wealth. Content for others to guide and direct less performance/ cost drive. 40% actively involved in day-to-day investment decisions.

Differing wealth managers use various definitions for segmenting clients. Charles Schwab & Co break demand into three types; self-directed (comfortable managing own finances, without face-to-face advice, and price conscious), Comfort

seekers or validators (self-directed for part of their needs but call for advice to validate decisions) and delegators (advice seekers, happy to rely upon financial advisers), whilst IBM Business Consulting refer to self directed, cooperative and dependent investors (Franklin & Latimore, 2002).

Whilst the above definitions seek to establish segmentation by client behavior, others seek to segment according to net investable wealth, IT literacy, cultural background, etc. Each has its own proponents, although there is little widespread evidence that any one method of segmenting demand in the HNW market has met with consistent success. The failure of Lloyds TSB's 'Create' (targeted largely at the 'self-directed') suggests that segmentation does not equate to demand, although in contrast the accomplishments of online brokers such as Harrisdirect and Schwab points to the success of segmentation strategies in some market segments. The challenge is to establish key or unique features that appeal (in the case of 'Create' over complexity, technological difficulties and a focus upon technological possibilities – as opposed to client demand – led to lack of widespread appeal).

IV. E-COMMERCE AND WEALTH MANAGEMENT SERVICES

A. The Delivery of Wealth Management Services

Online wealth management delivery is unlikely to be without problems. As Koppel (2000) points out Internet access and 24.7 support are minimum requirements and small private banks have traditionally lacked the skills and IT systems upon which this can be effectively delivered. Furthermore, how do you personalize your online offering to meet client needs? Despite the various challenges the Internet poses to existing incumbents they have a strong short-term delivery advantage, with established distribution networks a good brand reputations and IT systems that may have evolved but are proven to work (an advantage). Online rivals, however, will need to develop these at considerable expense. Therefore the perceived cost advantages of on-line delivery may not be as strong as some would fear (and there is still the problem for the newcomer of creating a competitive advantage and brand awareness).

That all said the potential for online wealth

management delivery exists and must be considered both a credible threat and an opportunity to cultivate new business. A US based online financial services market research study by McKinsey (Daruvala, 2000) has suggested that within three years increasing consumer confidence in the use of the Internet will see 10% of financial services revenues generated online (42% if including business delivered offline as the result of an online search or enquiry). This is backed by a Spectrum Group study, which found a high proportion of affluent clients value convenience, 24:7 access to information, are comfortable with technology and prepared to use the Internet for online trading and purchasing (Asher, 2001). Whilst more defined amongst the younger affluent this presents providers with the potential demand for the online delivery of wealth management services (and the prospect of a decline in the competitive position of those that ignore such potential).

The delivery of specialized wealth management services online is now gathering pace, providing clients with easier access to investment portfolios, accounting systems, tax computation calculators and online messaging systems. Good examples of e-enabled approaches to wealth management service delivery are offered by the big two Swiss banks, UBS and Credit Suisse. UBS (<http://www.ubs.com/e/ebanking/>) offer a comprehensive e-banking package using the Internet, the telephone and the mobile phone. In the case of the telephone further options are provided, with the client able to select voice or button activated services, or alternatively electing to speak direct with the e-customer centre or their client relationship handler. Using mobile technologies (on a PDA or WAP telephone) they may also raise account/custody queries, carry out stock purchases and sales, undertake foreign exchange transactions and seek stock quotes. In a similar way Credit Suisse Private Banking (<http://www.cspb.com/>) have sought to expand delivery choice, offering a 'Watch list' service to inform clients by email of SMS when a pre-agreed stock limit has been reached and delivering real – time prices from the Swiss Stock Exchange.

Such delivery services enable providers to deliver a level of personal control and advice only previously available to the very rich (Gold 2002) and clients the chance to seek a broader choice of products from a range of market leading providers.

This may in turn then prompt a fundamental reassessment of the relative importance (and profitability) of staying as the clients trusted adviser/relationship manager or becoming simply a product/ service provider. In either event managers will increasingly seek to adopt 'open architecture' technology in order to satisfy future client demand for third party solutions and this may be easier to deliver for new entrants, given their lack of legacy systems with which to contend. (Fletcher 2003) summarizes the challenges facing IT infrastructures as scalability, including the ability to add new wealth management functions as they are developed integration of legacy systems to provide a single view of the customer and reliability, given the increasing demands placed upon infrastructures as new services, increased volumes and account aggregation services develop.

The increasing role of intermediaries (e.g. brokers and family offices) will also require improved access by them to the banking sector, its money transmission services and product providers. The challenge will therefore be to move volumes of data and knowledge seamlessly between the proprietary systems operated by the banks and the intermediary. This may involve the customization of data and / or interactivity with external accounting packages. Northern Trust for example (<http://www.northerntrust.com/>) have developed a "Family Passport" service, providing both interoperability with external systems and customization by family offices to receive more or less information as required and deliver an aggregated view of their customer's wealth. However, whilst some new entrants and existing market players have focused entirely upon designing and delivering new suites of wealth management tools for clients and introducers others have taken a more cautious approach to wealth management delivery. For example, Ammenheuser (2001) cites the case of Virtual Bank (<http://www.virtualbank.com/>), which offers private banking services for those with at least US\$5 million in liquid assets – and its purchase of CMS Financial Services in 2001. This led to the creation of a 'Wealth Management Service' that was not made available online. In contrast, it was delivered by way of quarterly meetings between clients and their relationship manager, with the technological solutions reserved for online account aggregation and checking investment valuations.

This approach promotes personal contact with an

experienced relationship manager, with online monitoring and reporting seen as necessary 'tradesman's tools'. In doing so e-commerce and Internet technologies are used to provide wealth managers with the opportunity to deliver services of real value to the client (at relatively low cost) by supplying information direct to the relationship manager. In collating client, product and organizational knowledge in this way and delivering it to the manager at his point of contact with the clients, e-commerce technology can therefore be used to enhance more traditional 'offline' wealth management services, rather than replace them.

B. E-Commerce and the Range of Wealth Management Services

In theory wealth management services do not (like many financial services) require significant physical product delivery (Hunter, 2000). Therefore, as wealthier investors become more comfortable with the medium of the Internet will the potential to enhance and expand the range of wealth management services be realized. Evidence would suggest so. Ackermann (2000) observes that most wealth managers have broadened their product lines by introducing third party investment or 'best-of-breed' products. He also notes that 75% of those providers participating in a Pricewaterhouse Coopers survey expected to make e-mail alerts, wireless access and the ability to customize portfolios online available to clients in the future. Wealth managers are already responding to this demand. N M Rothschild & Sons (<http://www2.Nmrothschild.gg/>) through its online banking service 'Arrow line' provides automatic clients prompts for investors when certain market changes are identified and Credit Suisse (<http://www.csp.com/>) will advise when stock price limits are reached, either by email or SMS.

Wretman (2002) points to a similar conclusion drawn by IBM Financial Services in which they recommend that wealth managers expand their range of investment options (including offering property and hedge funds) away from pure asset management, as well as making them more accessible to investors. The likes of American Express Private Bank (<http://www.10.American.express.corm/>), Harrisdirect (<http://www.harrisdirect.Com>) and Schroders Private Bank (<http://www.schroderprivatebaning.com>) already

offer third party funds and alternative investments, with Harrisdirect, Schwab, Fidelity and Credit Suisse, providing ready accessibility through online funds supper market offering. Whilst expanding choice to offer third-party products is not necessarily a result of e-commerce the latter can play a key role in enabling organizations to achieve competitive advantage.

Through electronic links with third party providers or consolidation amongst complementary services providers alternative investments can be outsourced and delivered online (e.g. product information/ online application form, performance statistics, etc.). In part this is also why Charles Schwab merged with wealth services provider U.S. Trust, realizing that their brokerage business was loosing clients as their wealth increased, with many moving to specialists to seek advice on trusts, estate planning, wealth preservation and private banking (Kover, 2000). Given that Schwab's earned an average of 0.67% of assets managed from clients, and U.S. Trust typically 1% the logic of the merger (to retain higher margin clients and expand service choice) is compelling.

E-Commerce also allows wealth managers to target small niche sectors or become wider product 'specialists'. Abbey National's launch of a funds supermarket 'Funds Centre' in 2002, (<http://www.abbeynational.co.uk/>) offering 280 funds from 24 different fund managers, is an example of product targeting (similar to those already on offer from the likes of American Express, Legal and General, Norwich Union, TD Water House, Charcolonline and moneysupemarket.com). It offers increased choice and discounted charges, with the potential to drive down margins amongst the wealth management product providers. Whilst this presents a clear threat to private banks by disintermediating them it can also help restore the balance by providing improved customer functionality.

Bernstal, (2003) for example suggests several enhancements that can be incorporated into online wealth management services to improve their utility, including tools for:

- Automated financial planning/advice (including consideration of clients current position, risk approach and lifetime goals)
- Portfolio management (including online reporting / performance analysis)

- Investment execution (including execution and tracking of real-time trades across multiple products / providers)
- Consolidation/ aggregation (including account/portfolio statement/records)
- Analytical (supporting event-based notification, real-time customer alerts and proactive communication).

Such enhancements are now routinely offered as part of the online service offerings of many wealth managers, such as Credit Suisse, Merrill Lynch, Citigroup Private Bank, UBS and Royal Bank of Canada Global Private Banking. Of course, not all wealth management services can be offered online or augmented in this way. As Tergesen (2002) highlights 'services' can vary greatly. Examples include locating art (Citigroup and J.P. Morgan Chase), advising on wine, fine arts and antiques (Arbuthnot Latham), taking charge of your household bills (Bessemer Trust) or obtaining tickets for sporting events and shows (Merrill Lynch)! Some banks, such as Northern Trust, label this as a 'concierge service', designed to encourage clients to turn to their trusted adviser/ wealth manager for overall 'solutions' to their immediate needs. However, competitors such as American Express and MasterCard offer their wealthier clients similar services (MasterCard use the services of VIP Desk' for their platinum cardholders) providing 24-hour concierge services, by telephone, over the Internet and by wireless services (Ackermann, 2001).

E-commerce can therefore benefit the expansion of wealth management services by ensuring that some value added services they can be conveniently and cost – effectively delivered online. The wealth manager cannot expect this to apply to all services, however, and herein lies the ability of smaller more personalized private banks to seek a distinctive advantage over their larger competitors. Many wealth management products that are currently marketed are broadly equivalent to each other. However, it may be reasonable to assume that the majority of client's do not view the product as the defining reason for being with a provider, but rather the delivery and service that accompany the product.

C. E-Commerce and Customer Relationship Management

Customer Relationship Management (CRM) is an approach to managing client relations increasingly being adopted in financial services markets. Gandy (2001) suggests that the implementation of CRM technology and practices should result in functions to:

- Improve the knowledge of customers
- Use enhanced knowledge to benefit customers and improve their experience of the organization.
- Better understand customer buying behavior and target cross-sell opportunities
- Bring together and deliver service consistency across different delivery channels
- Provide client handling flexibility and effective customer development
- Support cultural change, placing customer service and satisfaction at the forefront of the organization.

Each function shares a business objective, to retain customers and maximize their lifetime value. However Gandy (2001) also notes that few organizations are able to deliver consistently, despite client service being ranked by Chief-Executive Officers (CEOs) as the key business differentiator (PriceWaterHouse Coopers, 2001). Has e-commerce therefore cabled improvements and what is its impact upon CRM?

Research by Stamoulis et al (2002) considered the value of e-banking delivery channels as an interface with customers to support CRM finding that e-banking channels can support each of the four phases of customer relationships namely the creation retention, expansion and selection. For example, an efficient e-banking channel may initially attract new custom (creation) a positive experience of its use may enhance that relationship (retention), the addition of new and relevant / personalized services may result in more services being utilized (expansion) and as critical mass is achieved/profitability matures, segmented pricing can help eliminate unprofitable relationships (selection). In theory therefore e-commerce can offer assistance, but in an industry traditionally offering close personal contact and highly

specialized advice how do you effectively transfer customer expectation online?

This is not just a technical problem, but also one of adequate researching – both on and offline (Koppel 2000). For new entrants acquiring suitably trained and experienced personnel become a significant challenge (in part mitigated by providing high quality information at the account executive's disposal). Private banking can also be paper intensive (consider trust services where providers are compelled to document and record all decisions and actions) and the challenge is to provide the quality and volume of information necessary to effectively interact with the clients. For example, Wells Fargo Private Client Services ([http:// www.wellsfargo.com/](http://www.wellsfargo.com/)) and Duncan Lawrie ([http:// www.duncan-lawrie.co.uk/](http://www.duncan-lawrie.co.uk/)) have resolved this in part by way of imaging systems, largely removing the demand for extensive client files. In the later case the solution also enables correspondence and client records to be generated, action points to be shared, and instantaneous access provided to staff of client records as they are updated.

A similar view is put forward by Nielsen (2002), whose survey of Nordic banking markets reported that sophisticated online services did little to cement the banker, client relationship, but that the Internet should be used for CRM purposes, providing supportive information to manage profitable customer relationships. Noens (2002) also cites research pointing to traditional personal contact as the driver of customer loyalty. Both conclude that 'advice-driven' (rather than 'product-driven') relationships, delivered personally, will provide competitive advantage, with client relationship officers increasingly becoming internal aggregators' (fronting 'specialized' advice from within/outside their organization) or alternatively 'generalists', supported by product experts [Price water house Coopers (2001) report that 43% already operate the internal aggregator model, and a further 35% a 'generalist' model]. It is this type of focus that has led specialist providers to family offices, such as State Street ([http:// www.statestreet.com/](http://www.statestreet.com/)) and Northern Trust ([http:// www.ntrs.com/](http://www.ntrs.com/)) respectively, to provide their 'In-Sight' and 'Family Passport' services. Both constitute web-based delivery platforms, capable of aggregating information from multiple sources and exporting into varying formats operating on the systems run by the family offices themselves.

In helping manage customer relationships e-commerce also allows providers to utilize commercially available money management tools (e.g. Quicken or MS Money) for basic client requirements and bespoke tools for the more sophisticated. These range from customizing options, such as personalized news and market information (Citigroup Private Bank) and automatic prompts to identify stock market changes (N M Rothschild) to the more general tax, mortgage and pension calculators offered by Credit Suisse. Increasingly these are becoming more complex, driven by the client desire for performance. For example, Royal Bank of Canada Global Private Banking ([http:// www.rbcprivatebanking.com/](http://www.rbcprivatebanking.com/)) offers a fund analyzer tools (providing detailed fund performance and risk analysis options) and a portfolio tool (to analyze asset holdings, geographic sector weightings and portfolio performance).

However, most clients, providing quicker and more personalised responses from relationship managers, will view even a simple email service positively. However, cross-industry analysis by Jupiter Research suggests that whilst 88% of online customers expect a response to an email within 24 hours only 54% of companies actually deliver (CRM-Forum, 2003). With the global use of email for customer enquirer likely to rise, from 1.0 billion in 2001 to 3.3 billion in 2008, this is an issue that wealth managers must resolve, if they are not to be faced with lost revenues and reduced customer satisfaction. However, evidence suggests that an increasing number of providers are now responding to this demand.

CRM is not of course simply about providing an extended service but one that is personalized. Credit Suisse, for example, now offer clients the ability to build their own financial site, choosing a selection of charts, watch lists, news and information services to suit their own needs. Citigroup also offer customizable news and market information and through the 'My Accounts' service the opportunity to see their holdings/assets with other providers through one consolidated view. The my UBS service from UBS takes this further, offering tailor made share prices, foreign exchange rates, charts, calculator tools, information and a 'my-Alerts' service.

E-commerce has provided technological answers to some CRM issues and consequently investment in

new private banking technologies is set to increase by 11% per annum over the next few years (Halperin, 2001), rising globally from US\$400m in 2001 to US\$1.5 bn in 2005 (Krebsbach, 2002). Skeldon (2002) also points to its potential to take the degree of personalization down to each individual site visit, tracking website movements and ensuring such data is used to tailor services and personalize the online experience. Wealth managers can then improve their online offering, noting what services do not attract attention, drop off rates and design/navigation issues. In time it is likely we will see on line real time personalization, in which the actions taken in a single site visit result in life-event identification and the automated sourcing of client solutions. However, despite the potential that CRM technologies in theory offer, have they really made a difference so far in the wealth management market? In a Cap Gemini Ernst & Young report the impact of CRM strategies was found to be mixed, with 58% of firms unable to calculate customer profitability and 45% unsure whether CRM had resulted in an increase in cross selling (Forsyth, 2002).

Most organizations, however, are not designed around the customer having evolved instated within functional division designed to resolve business problems (e.g. one department may turn down an applicant for a credit card whilst another is putting forward proposals for the investing their wealth!). Few private clients would accept this behavior and wealth managers must therefore ensure that their own organizations are able to collaborate internally. The customer is after all oblivious to the organization's desire to learn and store client data, seeking instead a recognition that 'life events' can be met with appropriate answers and solutions. In this way small private banks still retain the edge. However, we have also seen technologies improve and (whilst e-commerce may not have resulted in the delivery of the ultimate CRM solution) it has undoubtedly enabled great advances in information gathering and exchange to take place and is proving a valuable potential tool in empowering relationship managers at the point of client contact.

V. CONCLUSION

The first objective of this paper was to identify traditional wealth management service and assess the impact of e-commerce upon their range and delivery. Already the impact of e-commerce can be clearly seen, with suites of new online wealth

management tools and services launched over the past few years by a variety of wealth managers. However, those that are the most effective deliver information and choice, where and when it is required. E-commerce tends to polarize customer opinions and through technological advances enables organizations to develop new services and new ways of delivering them. However, technology has not proved to be the panacea that some had hoped for. Traditional 'product led' wealth management solutions do not sit comfortably online and few clients are satisfied with the principle of Internet only offerings. In contrast the mix of personal advice/service, backed by better-informed relationship managers, is gathering favor. Wealth managers-through new client management tools and services to enhance client relationships in a market where loyalty still exists can therefore use e-commerce, but satisfaction levels are falling.

The second objective was to consider the demand for wealth management services and the impact of e-commerce upon CRM. The attitudes and the financial complexity of the High Net Worth Individuals (HNWI) are becoming ever more complex, although loyalty to established wealth managers providers remains strong. This results in an increase in the need for the traditional 'all-encompassing' wealth planning service, but offering a multi silo based one stop solution will do little to assuage demand. The HNWI still desires a personal service, good value, appropriate advice and an experienced relationship manager. Providers must either seek to understand their client's needs much better or alternatively manage their client expectations downwards and face the possibility of client disenchantment. Segmenting demand has also become more readily achievable as a result of e-commerce, with the latter offering as it does channel choices and an information rich medium. With 'New wealth' we should see younger HNWI's in future and as a consequence a steady increase in the demand for online wealth management service and the need to develop the customer relationship more effectively if such clients are to be retained.

REFERENCES

1. Ackermann, M.: "Study Sees Rapid Growth of Wealth, Private Banking" *American Banker*, Vol. 165 Issue 209 p 9. (2000)

2. Ammenhueser, M.: "Online Bank Targets Wealthy Individuals" *Bank Systems and Technology*, Vol. 38 Issue 6 p 20. (2001)
3. Asher. J.: "Wealth Management Moves Stage" *ABA Banking Journal*, Vol. 93 Issue 4 p 41. (2001)
4. Bernstal, J.B.: "Switch to the Niche" *Bank Marketing*, Vol. 34 Issue 1 p 12. (2002)
5. Bernstal, J.B.: "The Rich and Confused" *ABA Bank Marketing*, January/February 2003, p 15. (2003)
6. Daruvala, T.N.: "E-financial services take shape" *The McKinsey Quarterly*, 2000 Number 3, <http://www.mckinseyquarterly.com>, accessed March 8th 2003
7. Donaldson J.: "Wealth management: Do you offer what your customers want?" *IBM Business Strategy Consulting*, <http://www-1.ibm.com> (2002), accessed March 14th 2003
8. Forsyth R.: "The Strategic Challenge for Retail Financial Services" *CRM Forum*, 2002, <http://www.crm.forum.com> (2002), accessed April 10th 2003
9. Franklin J. and Latimore. D.: "Segmenting the High Net Worth Market to Service it to Better Online" *IBM Business Strategy Consulting*, <http://www-1.ibm.com/services/strategy/estrategy> (2002), accessed March 14th 2003
10. Gandy, A.: "Special Report: Customer First" *Financial World*, July 2001 p 19. (2001)
11. Gold J.S.: "Less Wealth, More Management" *Institutional Investor*, Vol. 36 Issue 1. (2002)
12. Halperin, K.: "Wealth Management Panning for Gold" *Bank System and Technology*, Vol. 98 Issue 8 p 26. (2001)
13. Hunter, M.: "Online Venture to Serve Private Clients" *American Banker*, Vol. 165 Issue 97 p10. (2000)
14. Jebb, F.: "Special Report: Wealth Management- Playing the Game" *Financial World*, December 2001 p 26. (2001)
15. Jolliffe A.: "The Retreat of the High Net Worth Set" *Financial Times*, December 28th 2002, <http://www.ft.com> accessed March 8th 2003.
16. Koppel, R.: "New-Rich Market Growing Fast" *American Banker*, Vol. 165 Issue 82 p 10. (2000)
17. Kover, A.: "Schwab Makes a rand Play for the Rich" *Fortune*, Vol. 141 Issue 3 p 32. (2000)
18. Krebsbach, K.: "Mass Affluent are Avid On-Line Users" *Future Banker*, Vol. 6 Issue 1, p10. (2002)
19. Liao, S., Shao, Y.P. Wang, H. & Chen A.: "The adoption of virtual banking: an empirical study" *International Journal of Information Management*, Vol. 19, pp 63-74. (1999)
20. Liao Z. and Cheung, M.T.: "Internet-based e-banking and consumers attitudes: an empirical study" *Information and Management*, Vol. 39, Issue 4, p 283. (2002)
21. Lin. J. C.C. and Lu, H.P.: "Towards and understanding of the behavioral intention to use a web site" *International Journal of Information*, Vol. 20, Issue 3, pp 197-208. (2002)
22. Lomax, V.: "Wealth Management: Back to School" *Financial World*, February 2003, p 32. (2003)
23. Merrill Lynch /Cap Gemini Ernst and Young (2001) World Wealth Report 2001; http://www.ml.com/pressrelease/05142001-1_net_worth_pr.htm (2001) accessed May 13th 2003.
24. Merrill Lynch /Cap Gemini Ernst and Young (2002) World Wealth Report 2002; <http://www.cgey.com/finance/pubs/FSIWorldWealthReport2002.pdf> (2002) accessed May 13th 2003.
25. Nielsen, J.F.: "Internet technology and customer linking in Nordic Banking" *International Journal of Service Industry Management*, Vol. 13, Issue 5, p 475. (2002)
26. Noens, G.: "Loyalty and the Web" *Financial World*, October 2002, p 22. (2002)

27. Price water house Coopers (2001) 'European Private Banking /Wealth Management Survey 2000, <http://www.pwcglobal.com/uk> (2001) accessed May 13th 2003.
28. Scealey M. Phillips J. G. and Stevenson, R.: "Shyness and Anxiety as Predictors of Patterns of Internet Usage" *Cyber Psychology and Behavior*, Vol. 5, Issue 6, p 507. (2002)
29. Skeldon, P.: "Channel differentiation's: The right to choose" *Wealth Services Technology*, Quarter 3, p 24. (2002)
30. Stamoulis, D., Kanellis, P. and Martakos, D.: "An approach and model for assessing the business value of e-banking delivery channels: evaluation as communication" *International Journal of Information Management*, Vol. 22 Issue 4, p 247. (2002)
31. Tergesen, A.: "Where They're Piling on the perks" *Business Week Online*, November 25th 2002, <http://www.businessweek.com> (2002) accessed March 8th 2003.
32. Wretman, C." "Radical change needed by wealth mangers" *Financial Times*, November 29th 2002, <http://www.ft.com> (2002) accessed March 8th 2003.