

## **NEW SEGMENTS, NEW OPPORTUNITIES**

**By David Maude**

**In the fourth, and final, of a series of articles adapted from his recent book, *Global Private Banking and Wealth Management: The New Realities*, David Maude looks at new client segment opportunities. Previous articles in this series considered product, channel and geographic opportunities.**

A number of new client segments are emerging or being recognised more explicitly by leading wealth managers. These include entrepreneurs, ultra high net worth individuals, young people, divorcees, sports and entertainment professionals, and retirees. This article focuses on two more: affluent women and ethnic groups.

At the outset, it is important to note that clients tend to have greater resonance with advisers from their own segments. Hence, to target these segments successfully, wealth managers will need to recruit more relationship managers from the relevant segments in order to reflect the changing balance of their client base.

### **Affluent Women**

The financial services world, and wealth management in particular, has traditionally been very much a male domain. But that is changing. There is little in the way of global data, but some regional and country-specific stylised facts provide evidence that affluent women represent a key emerging wealthy client segment.

In North America, Merrill Lynch estimate that women make up 43% of the affluent segment, with that percentage set to rise. The Spectrem Group estimate that the number of wealthy women has been growing by 68%, while the number of wealthy men grew by only 36%. Women now own and run 26% of America's companies, with the number of women-owned businesses growing at twice the rate of the total number of US firms. In the UK, the story is similar. One quarter of HNWIs are women, with Brewin Dolphin estimating that there are around 360,000 women in the UK worth more than \$900,000. Research by the Centre of Economics and Business Research shows there are more women millionaires aged between 18-44 than men. By 2025, women are expected to own more than 60% of the UK's personal wealth. In Australia, National Australia Bank has reported a 5% increase in the number of new female clients over the last year, which exceeds the growth of male clients. In the Middle East, there are growing levels of wealth in the hands of women. In Saudi Arabia, the region's largest wealth market,

women are reported to own 40% of private wealth and account for more than half of all university graduates.

Overall, wealthy women are growing in number as they delay marriage to pursue professional and personal goals. Most wealthy women are likely to be entrepreneurs and professionals. Some may be seeking to take control of their finances following bereavement or divorce. A growing number of wealthy women are filling senior executive posts.

Relative to men, women tend to:

- Generally live longer, frequently earn less and often receive less in the way of pension (on average, a woman takes about 12 years 'off' to care for children or elderly parents compared with less than 2 years for a man)
- Have a different attitude towards money (financially more conservative, rational and more risk-averse investors; trade less often; more inclined to follow a consistent, long-term approach to investing)
- Be traditionally less sophisticated financially; they want financial advice and education given within a more supportive environment; they also value superior listening skills as much as technical expertise
- Show greater loyalty to their financial services provider

Some wealth managers are now starting to recognise this opportunity. Examples include:

- *Citigroup – Women & Co.* is a division of Citigroup, launched in February 2001. It offers bundled product and services designed specifically for upper-income professional women. Product features include: personal financial consultation and access to a team of financial advisors; access to a toll-free number for financial and tax-related questions; a comprehensive financial education programme, including seminars, newsletters and members-only knowledge library; discounted mortgages, childcare and other products; online nanny referral service and household help tax planning.
- *Bramdiva* – is a new women-focused wealth management service launched in the UK by Bramdean Asset Management and UBS. Its full asset management service will be available to HNW clients, and the minimum investment for the company's multi-manager fund is \$170,000. It will also offer its clients a series of social and networking events around the UK.
- *Wachovia* – In 1997, Wachovia created a director of women's financial advisory services role within its capital management group. The idea was to understand women's financial needs. It has run targeted direct-mailing campaigns and, following a two-year pilot, made a number of modifications

to its marketing to make it more women friendly. For example, it has produced a very well received series of money management guides aimed at women clients, is active in supporting various women's events, and holds a number of financial education seminars of its own.

## **Ethnic Groups**

As globalisation takes hold and mobility rises, particularly among the affluent, ethnic groups represent a growing opportunity for wealth managers. Ethnic groups include people sharing common and distinctive racial, national, religious, linguistic or cultural heritage. By their very nature, many ethnic groups have specific needs, which are very different to those of the rest of the population.

For example, Asian-Americans and Hispanic-Americans are the two fastest-growing populations in the US, but have divergent investment approaches. Generally, Asian-American HNWIs embrace a more 'do-it-myself' attitude to investment. Conversely, Hispanic-Americans are more inclined to solicit advice from financial advisors. Merrill Lynch found that only 52% of Asian-American HNWIs used a primary advisor compared with 67% of Hispanic-Americans. This attitude is also reflected in Hispanic-American HNWIs' greater use of financial plans: 33% compared with 24% of Asian-Americans. These behavioural differences are not based on different levels of investment knowledge, as both groups view themselves as fairly educated in financial matters concerning traditional products, such as stocks and bonds. More likely, differences may be attributed to varying cultural backgrounds. Also, when choosing an advisor, Asian-American HNWIs put a much greater emphasis on advisor personality compared with Hispanics.

For Asian-American and Hispanic-American HNWIs, wealth growth and preservation are both key financial goals. The difference is in the motivations behind these two goals. When asked about the primary goal of estate planning, supporting family and spouse were two of the top goals for Hispanic-Americans. Conversely, a majority of both Asian-American and general US HNWIs saw tax planning as their primary estate-planning goal. Almost half of affluent Asian-Americans and more than 40% of affluent Hispanic-Americans did not have an estate plan.

In the US and elsewhere, certain ethnic groups share key characteristics and have similar financial needs. For example, many Muslims require Islamic private banking (see the previous article in this series). Many ethnic groups are entrepreneurs or self employed, and can therefore require close working relationships between their wealth management and business banking providers.

A good example of a wealth manager targeting ethnic groups is Merrill Lynch's Multicultural and Diversified Business Development Group, which is focused on specific segments of the US population. The aim is to establish the firm as the

pre-eminent wealth management provider among diverse and multi-cultural markets. It currently focuses on the South Asian and African American segments. For example, it offers non-resident Indians (one of the fastest-growing segments in the US) networking events and access to the Indian financial markets via its Indian subsidiary.

\* \* \*

A number of new, attractive client segment opportunities are emerging. To capture this source of growth, wealth managers need to develop new creative approaches to client acquisition, and craft new propositions based on these clients' distinctive needs.

*David Maude is an independent consultant specialising in wealth and asset management. david\_maude@lycos.co.uk*