

Module 3

HARNESSING CLIENT PROFILING TO BOLSTER WEALTH MANAGEMENT:

Insights from Raiffeisen Entremont Bank

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MODULE 3

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1. Introduction

1.1 Purpose of the research

In the context of Raiffeisen Suisse bank and its wealth management activities, discretionary mandates have emerged as a significant contributor to the diversification of revenue streams beyond traditional interest-based income. This shift is crucial for institutions like Raiffeisen Suisse, especially given the current financial landscape where only 21 percent of group revenues come from neutral operations such as securities management, with the remaining 79 percent derived from interest income as of December 31, 2023.

Discretionary mandates are particularly valuable due to their profitability for banks, the long-term performance benefits they offer clients, and their ability to provide optimal risk management. By delegating the management of assets to professional managers, discretionary mandates ensure that investments are consistently aligned with each client's profile, without requiring continuous oversight by relationship managers, who may be constrained by other responsibilities such as client meetings, sales campaigns and prospecting. This separation is key to maintaining compliance and focus on client-specific investment strategies.

The effectiveness of discretionary mandates in long-term asset growth and client satisfaction is supported by research and expert opinions in the field. Studies suggest that such mandates typically yield better outcomes for clients, as they leverage the expertise of professional managers who can navigate market complexities more effectively than individuals (UBP, 2022). This approach not only enhances client trust and satisfaction but also solidifies the bank's reputation as a prudent and successful wealth manager.

1.2. Goals of utilizing client profiling to expand discretionary management

The utilization of client profiling aims to refine and enhance the marketing and sales strategies for Raiffeisen Entremont's discretionary management services. This initiative is driven by a series of targeted objectives designed to increase efficiency, client satisfaction, and revenue generation.

- Enhanced targeting of sales campaigns: The primary objective is to leverage detailed client profiles to tailor sales campaigns more effectively. By understanding the specific needs, preferences, and financial behaviors of clients, the bank can create customized campaigns that resonate deeply with the target audience. This precision targeting helps in deploying resources more efficiently, thereby reducing costs and improving the success rates of campaigns. Studies

show that targeted campaigns can lead to a higher conversion rate, as they address the specific needs of clients more directly (Arora et al., 2021).

- Increased lead conversion rates: Another significant objective is to increase the conversion rates of leads into active discretionary mandates. By understanding the client's readiness and openness to discretionary management through profiling, tailored strategies can be applied to nurture leads at different stages of the client journey. Predictive analytics can play a crucial role here, estimating the likelihood of conversion based on past interactions and engagement levels, thereby allowing for more focused follow-up and conversion efforts (Froot et al., 2021).
- Facilitation of transition from classic advisory to discretionary mandates: Profiling enables the bank to identify clients who are currently engaged in classic investment advisory but show potential and readiness for transitioning to discretionary mandates. By segmenting these clients, targeted educational and informational campaigns can be designed to inform them about the benefits of discretionary management, such as enhanced risk management, better net returns, and less commitment required on their part.

By achieving these objectives, Raiffeisen aims to not only increase its revenues and market share in the wealth management sector but also enhance client satisfaction and loyalty through services that are more aligned with individual client needs and expectations.

2. Literature review

2.1. Overview of Wealth Management Trends

Current Trends in Wealth Management in Switzerland:

The wealth management industry in Switzerland has experienced significant shifts in the wake of the Covid-19 pandemic, with technological advancements and evolving client preferences reshaping the landscape. This chapter will delve into these trends, focusing on post-Covid-19 shifts and technological advances that are pertinent to Raiffeisen strategy of expanding its discretionary wealth management services.

Technological Advances:

Technological innovation has played a pivotal role in democratizing wealth management services, allowing institutions to offer sophisticated financial solutions to a broader clientele. Traditionally, discretionary wealth management services were exclusive to affluent and high net worth individuals due to high entry thresholds. However, advancements in technology, for instance the integration of robo-advisors, have enabled firms like Raiffeisen to lower these barriers. Now, discretionary wealth management services involving a relationship manager can be accessed with entry tickets as low as CHF 50,000. Robo-advisors, on the other hand, which utilize algorithms to manage investment portfolios, are accessible from CHF 5,000, offering a scalable and efficient alternative to traditional wealth management (PwC, 2023).

Post-Covid-19 Shifts

The Covid-19 pandemic has significantly influenced the dynamics of wealth management (Deloitte Switzerland, 2020), particularly in affluent regions like Verbier. The resort has attracted individuals from urban centers, as well as international clients from the United Kingdom, Nordic countries, Benelux, Monaco, and neighboring countries. This shift has been notably driven by the rise of remote working, which has allowed high net worth individuals to reside or acquire secondary residences in scenic locations like Verbier and work from these destinations. The influx of these new residents presents a unique opportunity for Raiffeisen to expand its wealth management services in tourist spots.

Evolving Client Preferences

Post-Covid-19, there has been a noticeable shift in client preferences within the Swiss banking sector. Clients are increasingly seeking personalized, digital-first solutions that offer convenience and flexibility. According to a study by the Swiss Bankers Association,

clients now prioritize sustainability and ESG (Environmental, Social, and Governance) criteria in their investment decisions, reflecting a broader trend towards responsible investing. Furthermore, there is a growing demand for hybrid advisory models that combine the benefits of digital tools with human expertise, providing a balanced approach to wealth management (Nanayakkara et al., 2017).

In this context, Raiffeisen has developed innovative solutions centered on sustainability, with three out of the four available mandates being labeled as Futura, emphasizing sustainability. Additionally, Raiffeisen has developed a robo-advisor model for retail clients, enabling them to independently access wealth management services, including automatic rebalancing.

2.2 Client profiling in financial services

Client profiling is a critical tool in the financial services industry, allowing firms to better understand and serve their clients. Profiling involves gathering and analyzing demographic and behavioral data to segment clients and tailor products and services to meet their specific needs. This methodology is particularly beneficial in wealth management, where understanding client preferences and behaviors can significantly enhance service delivery and product offerings.

Methodologies in financial services

In financial services, client profiling typically starts with the collection of basic demographic data such as age, gender, income, and marital status. Behavioral data, including spending habits, investment preferences, and risk tolerance, are also crucial.

This data is analyzed using various statistical and machine learning techniques to identify patterns and segment clients into distinct groups. For instance, cluster analysis can group clients with similar characteristics, while regression analysis can predict future behaviors based on past data (Jain, Murty and Flynn, 1999).

Discretionary Mandates

Discretionary mandates in wealth management involve the client delegating the decision-making authority to a professional asset manager, who makes investment decisions on the client's behalf. This service is particularly appealing to clients who prefer not to be involved in the day-to-day management of their portfolios. According to a study by Deloitte, clients opting for discretionary mandates often prioritize capital preservation and tax-efficient investment products (Lagassé, Spiller and Kiefer, no date). The study also indicates that these clients tend to be older and possess substantial wealth,

which aligns with the findings from the demographic analysis provided (see figure below).

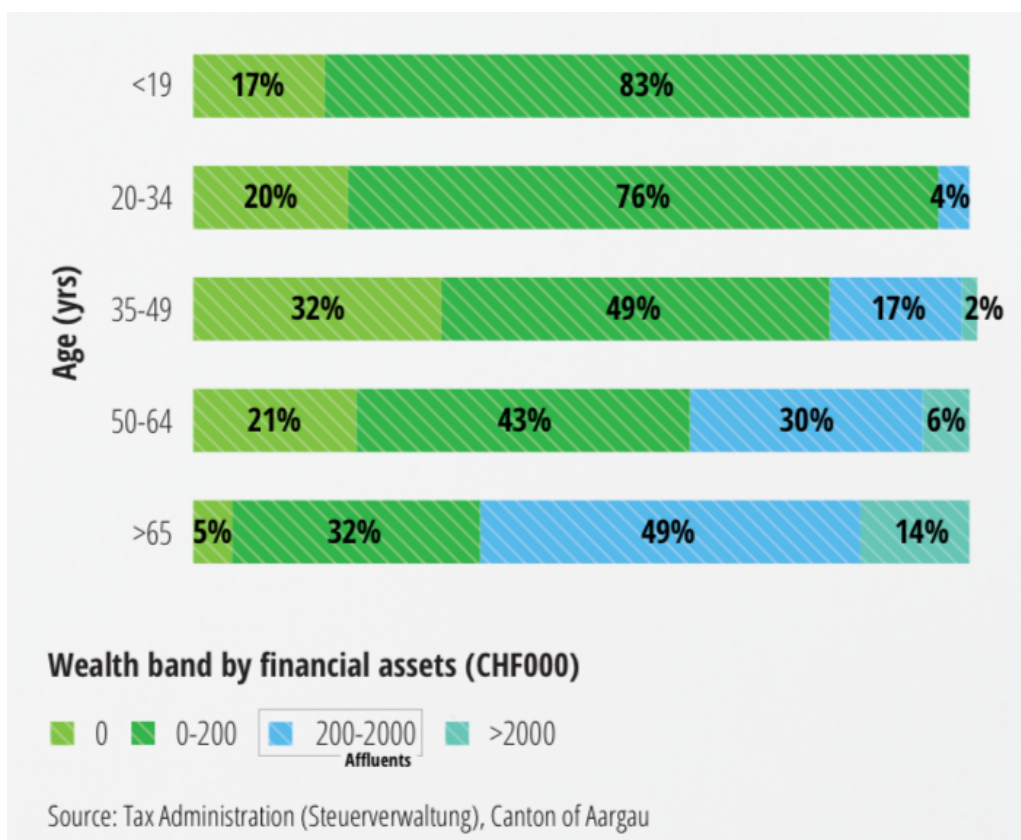


Figure 1 : Wealth bands across age groups (number of persons), Aargau, Switzerland (2019)

Moreover, Deloitte study shows that in Europe, there is a strong focus on capital preservation and tax-efficient investment products among wealth management clients (Lagassé, Spiller and Kiefer, no date).

	% of respondents with assets CHF200k – CHF500k	% of respondents with assets above CHF500k
 Investment services - execution only	33%	37%
 Investment services - advisory mandate	19%	31%
 Investment services - discretionary mandate	16%	25%

Figure 2 : Investment services used in Switzerland

Another study suggests that age and marital status are significant factors in choosing investment advisory services, although these factors are less significant for discretionary mandates (On Yuet, 2021).

		Asymptotic Sig. (2-sided)	Exact Sig. (1-sided)	** < .05 * < .10
H1: Age				
H1.1	Self Direct	0.183		
H1.2	Transaction Advisory	0.007 **		
H1.3	Portfolio Advisory	0.098 *	0.053 *	
	Discretionary	0.308		
H2: Gender				
H2.1	Self Direct	0.654		
H2.2	Transaction Advisory	0.331		
	Portfolio Advisory	0.639		
H2.3	Discretionary	0.425		
H3: Marital Status				
H3.1	Self Direct	0.091 *	0.018 **	
	Transaction Advisory	0.143		
	Portfolio Advisory	0.270		
H3.2	Discretionary	0.107		
Net worth				
	Self Direct	0.597		
	Transaction Advisory	0.353		
	Portfolio Advisory	0.368		
	Discretionary	0.585		
H4: Blood type				
H4.1	Self Direct	0.033 **		
	Transaction Advisory	0.476		
	Portfolio Advisory	0.244		
	Discretionary	0.446		

Figure 3 : Results for hypothesis testing by chi-square test

Profiling for discretionary mandates at Raiffeisen

At Raiffeisen, leveraging client profiling can significantly enhance the targeting of discretionary mandate services. By analyzing existing client data and integrating insights from external databases, the bank can identify potential clients who match the profile of those who typically choose discretionary mandates. This could include clients who are older, have higher net worth, and prioritize capital preservation. The gross margin development data further supports the profitability of focusing on discretionary mandates, as they offer consistent revenue and align with the long-term financial stability goals of the bank.

Discretionary mandates give Raiffeisen a margin of 90 basis points. The margin on advisory mandates is higher at 121 basis points, but the work required of relationship managers is far greater, as are the operational risks. All in all, the author is convinced that mandates are far more profitable.

Asset class	2003	Gross margin	2007	Gross margin	2009e	Gross margin
Accounts, money markets, fiduciaries	16%	20 bp	12%	20 bp	18%	20 bp
Alternative assets ¹⁾	5%	180 bp	15%	190 bp	7%	180 bp
Third-party funds	8%	90 bp	6%	90 bp	8%	90 bp
Bonds	23%	50 bp	18%	50 bp	21%	50 bp
Equities	29%	100 bp	27%	110 bp	25%	100 bp
Investments financed by loans	4%	100 bp	8%	100 bp	6%	100 bp
Own funds	15%	150 bp	14%	150 bp	15%	150 bp
Total	100%		100%		100%	
Blended gross margin		86 bp		104 bp		88 bp

1) Structured products, hedge funds, private equity and commodities

Source: Company data; UBS estimates

Figure 4 : Gross margin development in a model private bank

Investors who typically opt for discretionary mandates often share several demographic characteristics. Generally, these investors are older, suggesting a correlation between age and the preference for discretionary mandates, likely due to the greater wealth accumulation over time that allows for such investment freedom (Sajid, 2021).

These investors tend to be well-educated, with a significant proportion holding advanced degrees, which may indicate a better understanding of the financial markets or a greater trust in delegating investment decisions to professionals (Sajid, 2021). Additionally, they usually have higher incomes, which not only enables the initial capital necessary for such investments but also suggests a financial comfort that allows taking on different levels of risk depending on the discretion of the manager (Sajid, 2021).

Other researches on the characteristics and behaviors of clients choosing discretionary mandates in private banks indicates several key factors influencing their decision-making:

Risk aversion and trust:

Clients opting for discretionary mandates often exhibit higher levels of risk aversion and greater trust in their bank's financial expertise. They prefer to delegate investment decisions to professionals due to the complexity of financial markets and their desire to avoid making potentially costly mistakes themselves (Monti and Massari, 2015).

Wealth levels and complexity:

Wealthier clients with more complex financial portfolios tend to prefer discretionary mandates. This is due to the need for more sophisticated investment strategies and the convenience of having their portfolios actively managed by experts (Koh, 2016).

Time constraints

Clients with significant time constraints, often due to their professional or personal commitments, are more likely to choose discretionary mandates. They value the ability to have their investments managed without needing to be involved in day-to-day decisions (Bianchi and Drew, 2012).

Investment knowledge

Those with limited investment knowledge or experience are also inclined towards discretionary mandates. They rely on the bank's expertise to navigate market complexities and optimize their investment returns (Gennaioli, Shleifer and Vishny, 2015).

Performance Expectations

Clients selecting discretionary mandates often have high performance expectations and seek a more proactive approach to asset management. They believe that professional management can achieve better returns than advisory or execution-only services (Jansson, Sandström and Öhman, 2020).

Behavioral Factors

Psychological comfort and the reduction of cognitive dissonance play significant roles. Clients prefer discretionary mandates to avoid the stress and emotional burden associated with active investment decision-making (Thaler, 2009).

3. Methodology

3.1. Data collection : sources of internal and external databases used for analysis

The data collection process for the research project on client profiling at Raiffeisen Entremont leverages both internal client data from the regional bank and external comparative studies to ensure a detailed analysis of client behaviors and investment patterns. The bank, with its 18,000 clients, offers rich data across various demographic and behavioral dimensions such as age, gender, locality, investment capacity, securities involvement, risk tolerance, occupation, and income levels. This extensive dataset allows for sophisticated segmentation and trend analysis that can illuminate regional investment preferences and capacities.

The study's scope is restricted to Raiffeisen Entremont, thus the findings are particularly relevant to this locale and may not directly extrapolate to the broader Swiss banking context or the entire Raiffeisen Group, which includes 219 banks. This regional focus is both a limitation and a strength, as it provides precise insights into the local client base but may not capture wider national trends. Despite these limitations, the research is poised to yield actionable insights into improving discretionary management services for the bank's clientele, specifically tailored to the regional characteristics of the Raiffeisen Entremont client base.

3.2 Hypotheses

This research aims to elucidate demographic trends among clients with custody accounts and those with discretionary mandates at Raiffeisen Entremont. The formulated hypotheses are designed to capture the essence of client behavior and preferences based on their investment choices. These hypotheses will guide the analytical phase, helping to tailor the bank's services more effectively to meet client needs:

1. Age and securities investments: It is hypothesized that clients investing in securities are generally aged 65 or older. This demographic trend suggests that older clients have a higher level of wealth and have sufficient disposable assets to invest a part of it in securities investments. What's more, as the legal retirement age in Switzerland is 65, many customers receive substantial lump sums from their pension funds at this age.
2. Comparative age in investment types: Clients with discretionary mandates are expected to be older than those who have only custody deposits without mandate (advisory or execution only). This hypothesis stems from the assumption that with age comes a preference for managed investment services, as older clients might prioritize wealth preservation and are less inclined to actively manage their investments.

3. Risk tolerance in discretionary mandates: It is proposed that clients with discretionary mandates focus on capital preservation and exhibit a lower risk tolerance compared to those with advisory mandates or in an execution only model. This hypothesis will explore if the nature of discretionary services, which often involve handing over investment control to managers, appeals more to those who prefer less risk in their investment strategies.

4. Income levels and securities investments: Securities investors are hypothesized to have higher than average incomes. This association may indicate that higher-income individuals are more likely to engage in securities investments, reflecting their capacity to invest larger amounts and withstand potential financial volatility.

5. Locality-based investment preferences: Residents of Verbier are hypothesized to be more inclined than others to invest in securities. This hypothesis reflects the demographic and socio-economic characteristics of Verbier, which might influence investment behaviors distinctively compared to other regions.

These hypotheses will be tested using anonymised data from Raiffeisen Entremont's client database, focusing on the attributes such as age, investment type, risk tolerance, income levels, and locality.

3.3. Analytical techniques : Statistical methods and tools used for data analysis

In this chapter, we outline the statistical methods employed for testing each hypothesis using the capabilities of Excel:

1. Clients investing in securities are generally aged 65 or older

We'll use Excel to calculate descriptive statistics (mean, median). We will generate age distribution histograms for level of wealth of clients across wealth band and to determine for each age band how much clients invest in securities.

2. Clients with discretionary mandates are older than those with only securities investments

A two-sample t-test will compare the mean ages of these two client groups to identify statistically significant differences. Excel's Data Analysis Toolpak will facilitate the work.

3. Clients with discretionary mandates exhibit a lower risk tolerance than clients with advisory mandates

Once again, a two-sample t-test will compare risk tolerance levels across groups

4. Securities investors have higher than average incomes

Income data will be summarized using Excel's descriptive statistical functions. A t-test will compare the average income of securities investors against the overall client base to check for significant differences.

5. Residents of Verbier are more inclined than others to invest in securities

We will examine if locality affects propensity to invest using a chi-square test. A contingency table will be created in Excel to assess the association between living in Verbier and the propensity to invest in securities.

4. Hypothesis testing : Results

4.1 Most clients investing in securities are indeed aged 65 or older

The analysis reveals a clear trend: the older the clients, the more inclined they are to invest in securities. This observation is logical, considering that older individuals tend to have larger surplus savings available for long-term investments and to finance retirement. As clients age, their propensity to invest in securities increases steadily.

In the figure below "Free investable assets by wealth bands," a prime target for investment is identified among clients aged 65 and older with over CHF 200,000 in free investable assets. Specifically, 560 clients in this age group collectively hold CHF 263 million in free investable assets. Otherly said, 4.4 percent of the client hold almost one third of the total free investable assets of the bank. This substantial amount highlights the significant investment potential within this demographic.

	0-200		200-2000		>2000		Total	
	MCHF	nb clients	MCHF	nb clients	MCHF	nb clients	MCHF	nb clients
<20	10	1 542	0	0	0	0	10	1 542
20-34	60	2 327	7	27	2	1	69	2 355
35-49	74	2 532	51	126	0	0	125	2 658
50-64	105	2 697	137	331	12	4	254	3 032
65+	105	2 618	234	551	29	9	368	3 178
Total	354	11 716	429	1 035	43	14	826	12 765

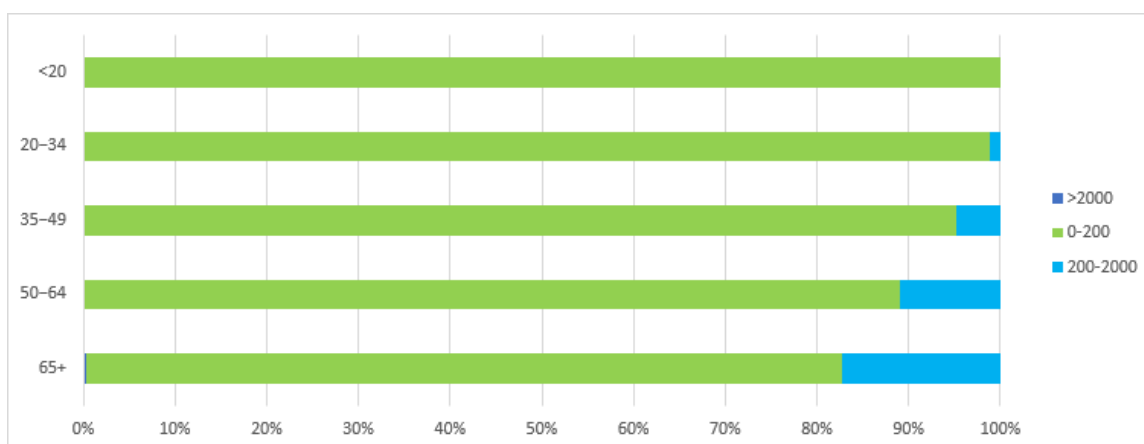


Figure 5 and figure 6 : Free investable assets by wealth band

Furthermore, the figure below indicates that clients aged 65 and older represent a priority target. Indeed, this age group holds the most assets of which only 16 percent are currently invested. This finding emphasizes the untapped investment opportunities among older clients, suggesting that targeted financial strategies and tailored investment products could effectively mobilize a larger portion of their available assets.

By focusing on this demographic, financial institutions can better align their services with the investment behaviors and preferences of older clients, ultimately enhancing client satisfaction and increasing the institution's assets under management.

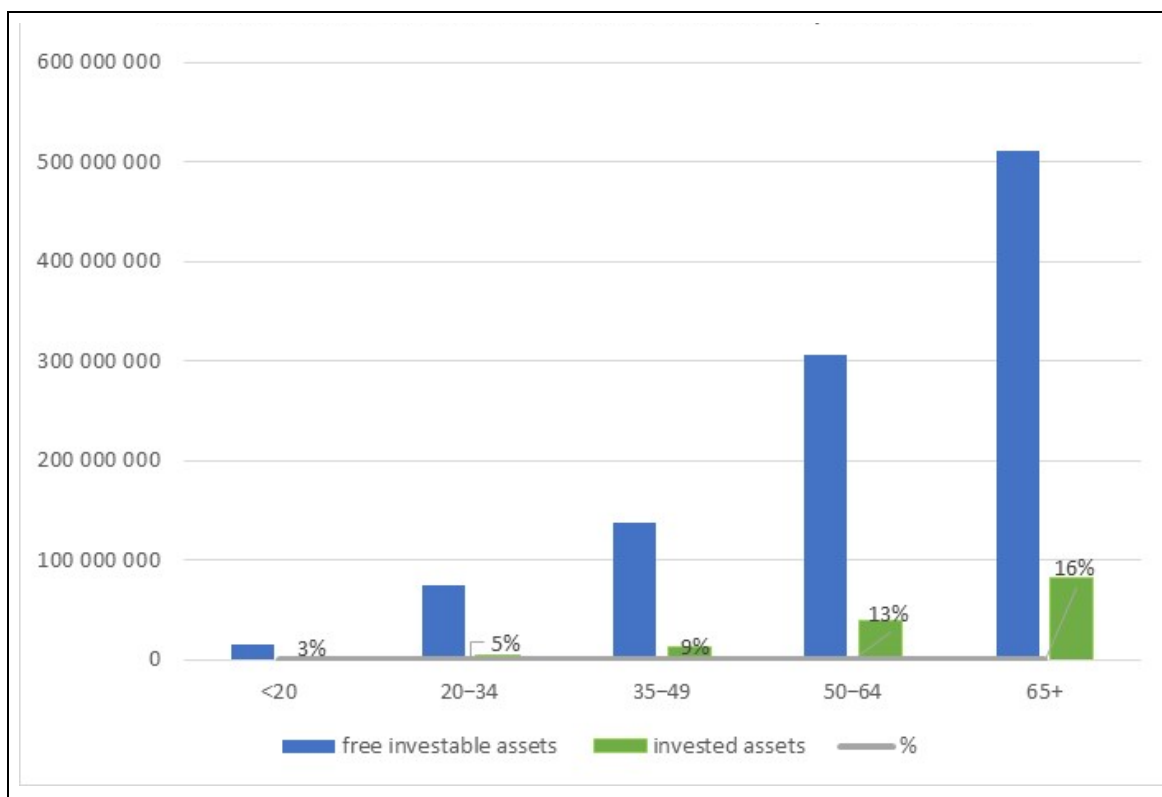


Figure 6: Free investable assets vs invested assets by age band

4.2. Clients with discretionary mandates are indeed older than those with advisory mandates or execution only models

To test the hypothesis that clients with discretionary mandates are older than those with advisory mandates or execution only, a two-sample t-test was performed. This statistical method compares the mean ages of the two client groups to identify any statistically significant differences. The analysis was conducted using Excel's Data Analysis Toolpak.

The t-test results indicate a significant difference between the two groups. The mean age of clients with discretionary mandates (variable 2) is 65.6 years, while the mean age of

clients with advisory mandates or execution only (variable 1) is 59.5 years. The t-statistic of -2.90 and the p-value of 0.0037 confirm that this difference is statistically significant at the 0.05 level.

These findings support the hypothesis that clients with discretionary mandates tend to be older than those who invest in securities through advisory mandate or execution only. This demographic insight is crucial for tailoring marketing strategies and enhancing client engagement. By understanding that older clients are more inclined to opt for discretionary mandates, Raiffeisen Entremont can focus its resources on targeting this age group with customized wealth management services that meet their specific needs and preferences. In particular, the bank will be able to combine retirement planning advice with the offer of a wealth management mandate.

	Variable 1 (advisory)	Variable 2 (mandate)
Mean	59.5246195	65.6216216
Variance	316.14209	159.44391
Observations	1117	74
Pooled Variance	306.521428	
Hypothesized Mean Difference	0	
Degrees of Freedom	1189	
t Statistic	-2.90116541	
P(T<=t) one-tail	0.00189312	
t Critical one-tail	1.64613619	
P(T<=t) two-tail	0.00378625	
t Critical two-tail	1.96196116	

Figure 7: Test of equality of means between clients without and with discretionary mandate

4.3 Clients with discretionary mandates do not exhibit a lower risk tolerance than clients with advisory mandates or execution only

To test the hypothesis that clients with discretionary mandates exhibit a lower risk tolerance than those with advisory mandates or execution-only services, a two-sample t-test was conducted using Excel's Data Analysis Toolpak. The test aimed to compare the mean risk tolerance scores between these two client groups to identify any statistically significant differences.

The risk profile is measured on a scale from one to five, with one being the least risky and five the most risky. A profile rating of one corresponds to a security profile in which assets are entirely invested in cash and cash equivalents. A risk profile of five

corresponds to a portfolio entirely invested in equities, possibly with a small portion in alternative investments.

The results of the t-test show that the mean risk tolerance score for clients with discretionary mandates (variable 1) is 2.92 out of 5, while the mean score for clients with advisory mandates or execution-only services (variable 2) is 2.94. The p-value obtained from the test is 0.40, which is significantly higher than the significance level of 0.05. This high p-value indicates that we cannot reject the null hypothesis, suggesting that there is no statistically significant difference in risk tolerance between the two groups.

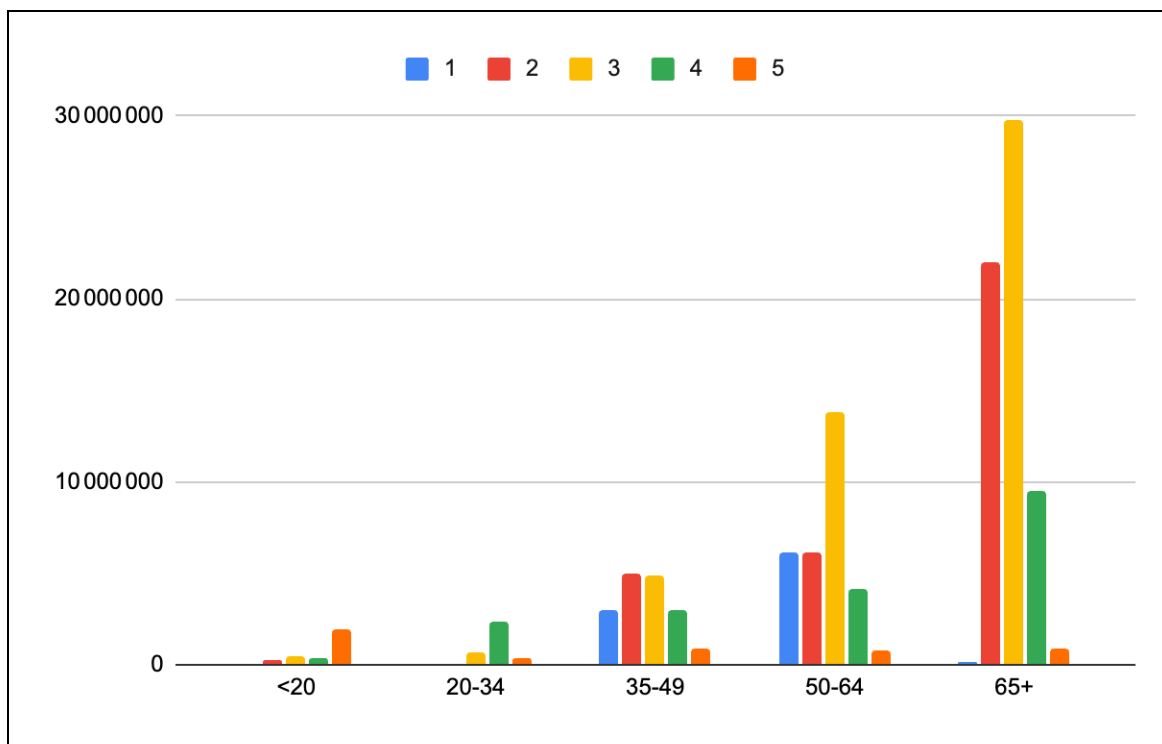
These findings imply that the risk tolerance levels of clients with discretionary mandates are not significantly different from those with advisory mandates or execution-only services at Raiffeisen Entremont. This result highlights that both groups, irrespective of their investment approach, exhibit similar risk tolerance levels.

	Wealth management mandate	Advisory and execution only
Mean	2.91549296	2.94318182
Variance	0.50704225	0.82989024
Observations	71	792
Pooled Variance	0.80364244	
Hypothesized Mean Difference	0	
Degrees of Freedom	861	
t-Statistic	-0.24932166	
P(T<=t) one-tail	0.40158572	
t Critical one-tail	1.64662531	
P(T<=t) two-tail	0.80317144	
t Critical two-tail	1.96272305	

Figure 8 : Risk profile of clients investing in mandate versus clients investing in securities

The conclusion derived from this t-test analysis underscores the importance of considering other factors beyond risk tolerance when differentiating between clients opting for discretionary mandates and those choosing advisory or execution-only services.

From a descriptive perspective, we can also observe from the following graph that the majority of assets are invested by clients over 65 years old, using the income (risk two out of five) and balanced (risk three out of five) strategies.



risk profile	<20	20-34	35-49	50-64	65+	Total
1	91 731	0	3 031 761	6 091 893	174 003	265 734
2	255 581	47 344	4 936 499	6 091 893	21 988 688	31 415 267
3	493 938	671 192	4 925 499	13 782 473	29 799 534	49 683 635
4	383 232	2 336 584	2 943 965	4 183 096	9 499 562	19 346 438
5	1 931 029	328 703	836 661	784 113	846 994	4 727 500
NA	8 532 649	1 476 327	3 040 092	14 581 907	20 958 906	48 589 881
Total	11 688 159	4 860 149	14 788 978	39 423 481	83 267 686	154 028 454

Figure 8 and figure 9 : invested assets by risk profile and age bands

4.4 Securities investors have indeed higher than average incomes

The results of the t-test of difference in means indicate a significant difference between the average incomes of clients who invest in securities (variable 1) and those who do not (variable 2). Investors in securities have significantly higher incomes compared to the average of other clients. This difference is statistically significant, as evidenced by the very low p-values and the high t-statistic relative to the critical value. Thus, the hypothesis that securities investors have higher than average incomes is confirmed by this t-test.

Metric	Variable 1	Variable 2
Mean	117 198	88 645
Variance	56 050	46 622
Observations	292	5 636
Pooled Variance	163 143	
Hypothetical Mean Difference	0	
Degrees of Freedom	5 926	
t-Statistic	3,889	
P(T<=t) one-tail	5,08E-05	
t Critical one-tail	1,645	
P(T<=t) two-tail	0,000101681	
t Critical two-tail	1,96	

Figure 10 : Results from the t-test about equality of income

An intriguing observation warranting further investigation is that, beyond a certain income threshold, clients appear less inclined to invest in securities, at least with Raiffeisen Entremont. This phenomenon could be the subject of a more in-depth study. An hypothesis is that clients with high income have a relationship with Raiffeisen as a second bank and prefer to invest their money with private banks or UBS.

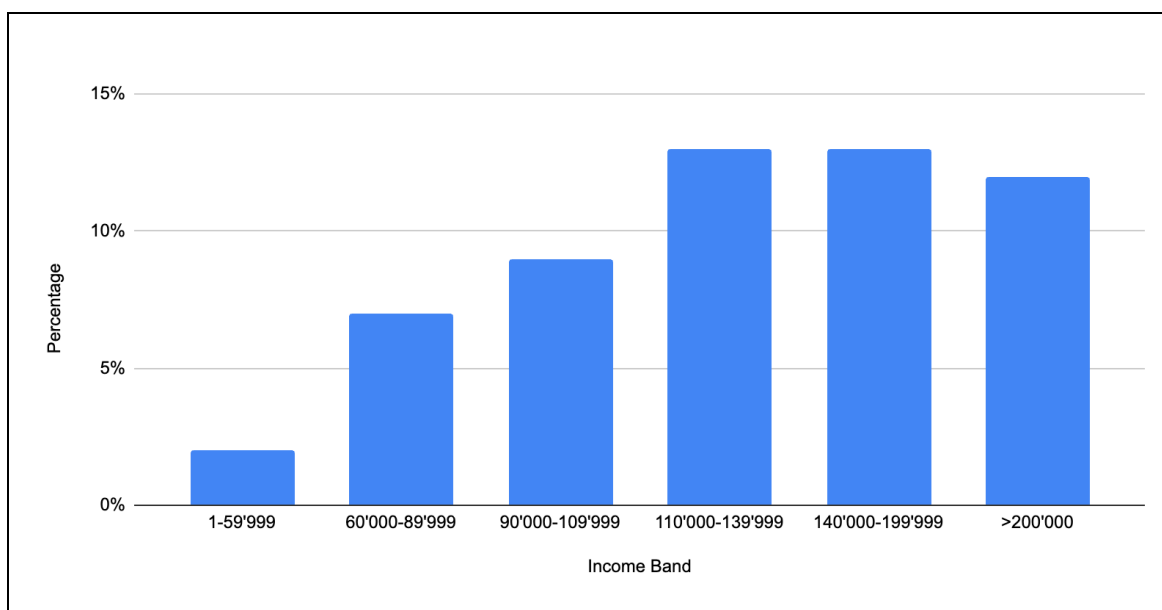


Figure 11: Percentage of clients investing in securities by revenues bands

4.5. Resident of Verbier are indeed more inclined than others to invest in securities

The chi-square test applied to assess the investment behaviors between residents of Verbier and other localities yielded a p-value of 0,0000000839, indicating a statistically significant association between residency and the propensity to invest in securities. The extremely low p-value allows us to reject the null hypothesis, which posits no correlation between locality and investment inclination. This rejection suggests that residency in Verbier is significantly associated with a higher likelihood of investing in securities compared to other regions.

Locality	Invest in securities	Does not invest in securities	Total
Verbier	117	974	1091
Other	1024	14714	15738
Total	1141	15688	16829

Figure 12 : Observed frequencies (number of clients investing in securities versus not investing)

Locality	invest in Securities	Does not Invest in securities	Total
Verbier	74	1017	1091
Other	1067	14671	15738
Total	1141	15688	16829

Figure 13 : Expected frequencies (number of clients investing in securities versus not investing)

This finding underscores the need for targeted financial services and investment opportunities that cater specifically to the demographic and regional characteristics of Verbier residents. It highlights the importance of localized investment strategies and could guide Raiffeisen Entremont in customizing its offerings to meet the distinct preferences of different regions.

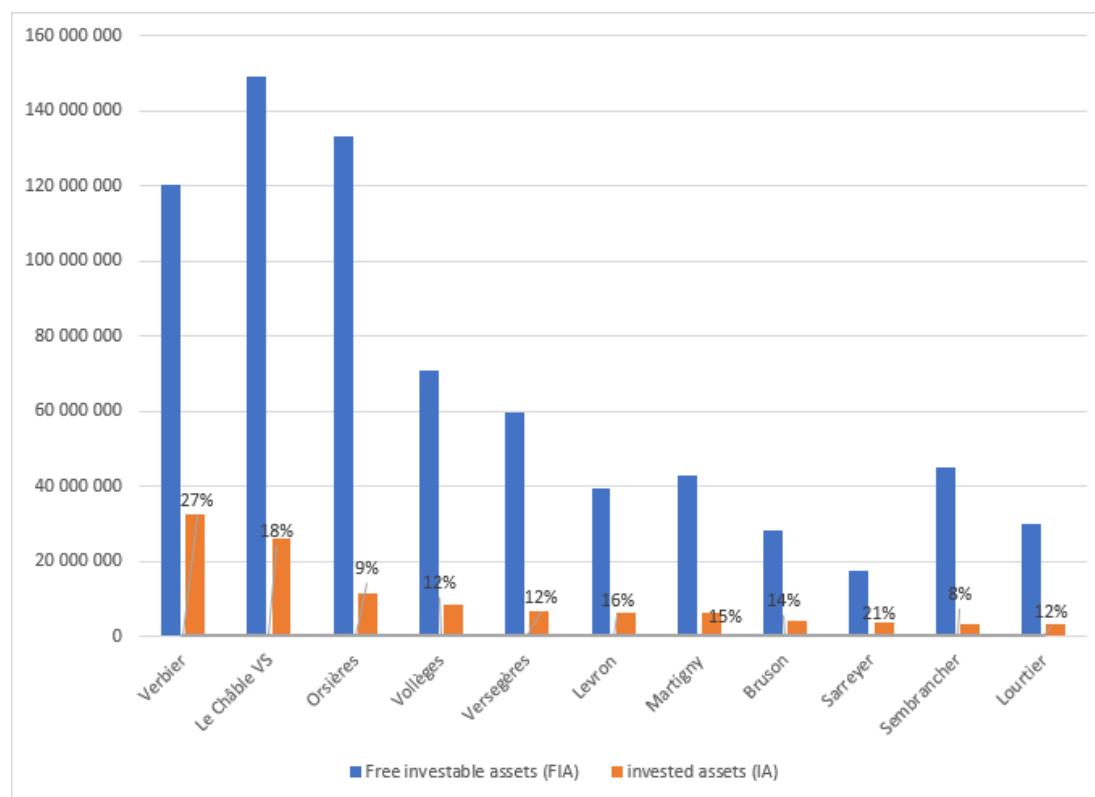


Figure 14 : Invested assets versus investable assets in Swiss Francs and percentage

5. Discussion

5.1 Interpretation of results

The findings of this report reveal that clients with discretionary mandates are generally older than those who invest solely in securities. This aligns with existing literature suggesting that older individuals tend to have more accumulated wealth and thus prefer investment vehicles that offer professional management. For example, a study in the PLOS One Journal notes that older investors often prioritize capital preservation, which aligns with the nature of discretionary mandates (Lan et al., 2018).

Contrarily, the hypothesis that clients with discretionary mandates exhibit lower risk tolerance compared to those with advisory mandates was not supported by the t-test results. This challenges some literature, which typically associates lower risk tolerance with more conservative investment choices like discretionary mandates.

Additionally, the significant difference in income levels between securities investors and the general client base underscores the notion that higher income individuals are more likely to engage in securities investments. This finding is consistent with previous research indicating that higher income is positively correlated with a greater propensity to invest in complex financial products (Lan et al., 2018). The analysis of residents in Verbier demonstrated a statistically significant higher inclination towards securities investment, which may be attributed to the affluent demographic typical of this region.

In summary, the study's results largely support existing theories on age and income as significant factors in investment behavior, while challenging some assumptions regarding risk tolerance.

5.2 Implications for targeting strategies

The strategic refinement of marketing and sales tactics for discretionary mandates can be significantly informed by the detailed analysis of client demographics.

Literature supports the notion that as individuals age, they tend to prioritize wealth preservation over high-risk investments, making them ideal candidates for discretionary services. Marketing campaigns can therefore focus on stability, security, and long-term planning, which are likely to resonate with this demographic. In particular, discretionary mandates should provide for the possibility of making the interest and dividends generated available to clients (payout mandate). In the case of sales campaigns, a discretionary mandate can be sold in addition to retirement planning, or vice versa.

The regional focus, such as the specific appeal of Verbier for discretionary mandates, suggests that localized marketing strategies could be highly effective. For instance, hosting exclusive investment seminars in Verbier could engage potential clients.

In summary, the integration of sophisticated client profiling with strategic marketing initiatives can significantly enhance the appeal of discretionary mandates, aligning product offerings with client expectations and investment trends. This approach not only supports business growth but also ensures client satisfaction and retention in a competitive financial landscape.

5.3 Aligning Findings with Raiffeisen's Strategic Goals

Raiffeisen Entremont's strategic plan aims to bolster its wealth management business, with a significant focus on the affluent market in Verbier. This chapter will explore how the insights gained from our client profiling can be integrated with these strategic goals, enhancing marketing and sales strategies for discretionary mandates.

Aligning client insights with strategic goals

The findings from our client profiling indicate that older clients, particularly those aged 65 and above, are more inclined to invest in securities. This demographic typically possesses substantial free investable assets, making them prime candidates for discretionary mandates. Raiffeisen's strategic goal to double safe custody assets to two hundred million Swiss Francs by 2028 can be significantly supported by targeting this age group. Tailoring marketing campaigns to highlight the benefits of discretionary mandates for retirement planning and capital preservation will resonate with this demographic, aligning with their financial goals and risk tolerance.

Targeted marketing and sales strategies

Raiffeisen's strategy emphasizes a customer-centric approach, targeting affluent and high-net-worth individuals with assets between Swiss Francs two hundred thousand and two million. Our findings support this focus, as clients within this asset range have shown a propensity for discretionary mandates. Marketing efforts should therefore include personalized communication, leveraging data analytics to create bespoke investment proposals that address the specific needs and preferences of these clients.

One effective approach could be organizing exclusive events at Raiffeisen Entremont's branch, as outlined in the strategic plan. These events can serve as platforms for educating potential clients about the advantages of discretionary mandates, offering personalized financial advice, and showcasing successful case studies. Additionally, forming partnerships with wealth managers and tax experts can enhance the value

proposition for clients, ensuring comprehensive financial solutions that meet their long-term goals.

Enhancing "Know Your Customer" procedures

The strategic plan's focus on enhancing "Know Your Customer" (KYC) procedures aligns perfectly with our findings. Implementing advanced data analytics to streamline KYC processes will enable relationship managers to identify high-potential clients more efficiently. By understanding clients' financial behaviors and preferences in greater detail, Raiffeisen can tailor its discretionary mandate offerings to better match client profiles, thereby increasing conversion rates.

Utilizing technology for relationship management

Raiffeisen's strategy to utilize advanced information technology tools for relationship management can be further refined using our client profiling data. For instance, deploying predictive analytics to forecast client behavior and investment preferences will allow for more proactive engagement. Relationship managers can be equipped with sales opportunities derived from data analytics to anticipate client needs, recommend suitable investment strategies, and maintain high levels of client satisfaction.

By aligning our client profiling insights with Raiffeisen Entremont's strategic goals, the bank can enhance its marketing and sales strategies for discretionary mandates. Targeted efforts focusing on the affluent older demographic, combined with advanced data analytics and personalized client engagement, will drive the growth of the bank's wealth management business, ensuring sustainable and competitive positioning in the market.

6. Implementation plan

6.1 Client Segmentation Strategy

Effective client segmentation in the banking sector is crucial for tailoring services and marketing strategies to meet the diverse needs of customers. The segmentation process at Raiffeisen Entremont will be refined to better target affluent clients, focusing on age, income, and locality. This approach ensures that clients receive personalized investment solutions, enhancing client satisfaction and business growth.

Innovative segmentation solutions in banking

Modern banking increasingly relies on advanced data analytics for client segmentation. Innovative approaches include machine learning algorithms to predict client behavior, cluster analysis to identify natural groupings within the client base, and the use of psychographic data to understand clients' attitudes and values. According to research by Deloitte (Lagassé, Grampp and Brandes, 2024), these methods can significantly improve the precision of client targeting and the effectiveness of marketing campaigns .

Current segmentation model

Raiffeisen Entremont currently segments clients based on free investable assets into retail (up to Swiss Francs seventy five thousand), individual (Swiss Francs seventy five thousand to two hundred thousand), and affluent (above Swiss Francs two hundred thousand). This model, while effective, can be refined by incorporating additional client characteristics such as age and locality.

Proposed segmentation refinement

- **Age-Based Segmentation:** Clients aged 65 and older have shown a higher propensity to invest in securities. This group, typically retired with substantial savings, seeks stable income and capital preservation. They will be targeted with conservative investment solutions such as the Swiss and Futura Global mandates, emphasizing low-risk profiles.
- **Income-Based Segmentation:** High-income clients (above two hundred Swiss Francs) are more likely to have disposable income for investments. They will be approached with tailored pitches for discretionary mandates and mutual fund

savings plans, focusing on the benefits of professional management and potential for higher returns.

- **Locality-Based Segmentation:** Residents of Verbier, a region with a significant number of high net worth individuals, will be identified and targeted for exclusive wealth management services. Personalized marketing efforts, including local events and partnerships with local businesses, will enhance engagement.

To implement this refined segmentation, advanced analytics tools such as Excel for initial analysis and more sophisticated customer relationship management systems for ongoing client management will be employed. Data will be regularly updated and analyzed to ensure the segmentation remains relevant and effective.

By refining the client segmentation strategy to include age, income, and locality, Raiffeisen Entremont can better target affluent clients, offering personalized investment solutions that meet their specific needs. This approach not only enhances client satisfaction but also drives business growth by maximizing the potential of the bank's existing client base.

6.2 Marketing strategy to target the new prospects identified through profiling

Effective marketing strategies are essential for attracting and retaining new clients, especially in the competitive financial services sector. For Raiffeisen Entremont, leveraging the insights gained from client profiling can significantly enhance the targeting of affluent clients with discretionary mandates. This chapter outlines innovative marketing approaches to reach these potential clients, integrating current best practices in the banking industry.

Innovative marketing solutions in banking

Innovative marketing strategies in banking often involve the use of digital channels, personalized communication, and data-driven decision-making. Digital marketing, including social media advertising and content marketing, allows banks to reach a broader audience effectively (Kotler, 2019). Personalization, driven by client data, ensures that marketing messages resonate with the specific needs and preferences of target clients (Kumar, 2020).

Adapting strategies for Raiffeisen Entremont

Based on the profiling findings, the following marketing approaches are proposed:

- Digital marketing and social media campaigns: Utilizing platforms like LinkedIn to run ads specifically targeted at affluent clients aged 65 and older. These ads will highlight the benefits of discretionary mandates, emphasizing capital preservation and regular income generation (Grewal, 2020).
- Personalized email campaigns: Sending personalized emails to clients segmented by age, income, and investment behavior. These emails will offer tailored investment advice and exclusive invitations to financial planning seminars and workshops (White, 2014).
- Local engagement and events: Hosting exclusive events in Verbier to directly engage with potential clients. These events will feature presentations by investment experts and opportunities for personalized consultations (Ennew, 2017).
- Partnerships with local businesses, associations and foundations: Collaborating with high-end local businesses and service providers to offer joint promotions and co-branded events. This strategy leverages local networks to build trust and attract affluent clients.
- Client testimonials and case studies: Showcasing success stories and testimonials from existing clients who have benefited from discretionary mandates. This builds credibility and demonstrates the value of the bank's services.

By integrating these innovative marketing strategies, Raiffeisen Entremont can effectively target and engage affluent clients identified through profiling. Leveraging digital channels, personalized communication, and local engagement, the bank can enhance its market presence and drive the growth of discretionary mandates.

6.3 Feedback and strategy adjustment mechanisms

Raiffeisen Entremont leverages the "collection manager", a software used to extract real-time client lists containing demographic, transactional, and behavioral data. This tool is central to identifying trends and adjusting strategies. Moreover, the feedback mechanism is completed by biennial satisfaction surveys, which may not suffice to capture dynamic client sentiments throughout the year. Given this, the bank could benefit from integrating more frequent and diverse feedback mechanisms, such as regular digital feedback forms or quick polls post-interaction, to gather actionable insights more continuously.

The strategic plan, for its part, is defined for a three-year period, but is reviewed annually. This framework could be enhanced by incorporating more agile feedback loops that allow quicker responses to market changes or client needs. The main challenge identified is the limited customization of tools, services and products provided at the group level, which may not fully cater to the unique market needs of the Entremont region. For example, the bank is unable to offer complete portfolio management services in currencies other than the Swiss franc and the Euro. To overcome this, the bank might consider developing localized modules or supplements to the existing tools that address specific regional requirements. Enhancing these processes will ensure that Raiffeisen Entremont not only stays responsive to client needs but also strengthens its competitive edge in a targeted manner.

7. Conclusion

7.1. Summary of findings

The findings of this research highlighted significant demographic and behavioral patterns among clients, informing targeted marketing strategies for discretionary mandates. Key hypotheses confirmed include older clients and clients with higher revenues being more inclined towards securities investments.

Challenges identified include varying investment propensities across localities, requiring tailored approaches to enhance client engagement. The strategic implication is the potential to integrate retirement planning with discretionary mandate offerings.

Future actions should focus on leveraging these insights to refine client segmentation and enhance marketing strategies, ensuring alignment with the bank's overarching goals of growth and customer satisfaction.

7.2 Call to action

For Raiffeisen Entremont to achieve the ambitious goal of doubling the volume of investment business over the next five years, a robust organizational commitment to the new client targeting strategies is essential.

Firstly, while Raiffeisen has traditionally followed a conservative approach as a "smart follower," the current market dynamics necessitate a more proactive stance. Allocating significant marketing budgets and prioritizing human resources towards high-potential markets, such as Verbier, without neglecting other regions, will be vital. Ensuring that all segments receive adequate attention will mitigate resistance and balance the bank's growth across its entire client base.

Secondly, measuring the success of these strategies should be aligned with tangible metrics such as net new money and the increase in passive funds. Regular monitoring and adjustments based on feedback and performance data will ensure that the strategies remain effective and relevant.

Lastly, overcoming internal resistance requires transparent communication about the benefits of focusing on high-potential markets and how this approach supports the overall growth objectives. By aligning the goals of different departments and ensuring that all employees understand the strategic importance of these initiatives, Raiffeisen Entremont can cultivate a unified effort towards achieving its objectives.

7.3 Future research directions

Based on the outcomes of the study, future research could beneficially explore the integration of artificial intelligence (AI) in wealth management. As AI technologies evolve, their potential to transform client profiling, investment strategy formulation, and risk management is substantial. Investigating how AI can enhance the precision of client segmentation and predict investment trends could provide valuable insights. Further research might also examine the ethical implications and the impact of AI-driven automation on client relationships in wealth management.

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