

## Delivering on a Promise

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### Dr Francois Monnet

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“We have to acknowledge that we are confronted with a very different operating landscape,” says Francois Monnet, managing director and head of private banking Southeast Asia and Australasia at Credit Suisse. The boom years before 2008 saw many private banks building their business on the assumption of continued growth and the costly acquisition of private bankers to gain market share. “Revenue generation in private banking, particularly in the Asia Pacific, has been very much volume-driven with a heavy reliance on a sales culture,” notes Dr Monnet.

But tough economic times in the past 18 months have hurt many private banking business models. In some cases, clients scarred by their losses have lost confidence in their relationship managers and private bankers. Many were sold products they did not understand and should not have invested in as part of their portfolio. “The most important driver for change is the disillusioned clients,” says Dr Monnet. Clients want transparency and disclosure, and that has placed a premium on well-run transparent firms that focus on their clients.

That is easy to say, but harder to achieve. “We need to focus on client segmentation and differentiation,” Dr Monnet says. “To put the client at the centre of a segmentation strategy is the only way to avoid a one size fits all approach which doesn’t work to lift service levels. This requires a disciplined, systematic and structured approach to defining client segmentation that goes well beyond assets under management.”

Dr Monnet gives some examples. “It has to consider the source of a client’s wealth – is it inherited or built? Is he or she a delegator, a participator, or self-directed? We also need to understand better the investor’s knowledge, experience sophistication as well as domicile.” Only when all that is understood clearly can a service offering be developed in a consistent and disciplined way. “Eventually, we will be measured as well in terms of the level of transparency and interaction we achieve with our clients,” says Dr Monnet.

The Credit Suisse way has been to embark on a complex exercise to re-profile clients. Dr Monnet describes it as ‘the detailed and structured assessment of their knowledge and experience vis-à-vis the complexity of the portfolio solution and their risk and loss tolerance.’ This profile is then used to build a suitable solution, completely transparent and with risks and characteristics fully disclosed to the client.

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says. How is that achieved at Credit Suisse? The first step is to re-engineer processes with effective use of information technology. The bank uses, for instance, open architecture platforms, constantly updated and with sophisticated risk analysis and portfolio tools to help create the most suitable proposals for their clients.

“This has an enormous impact on how much time the relationship manager is able to spend with clients and the quality of the client experience,” Dr Monnet says, pointing out that one recent study showed relationship managers spent as much time marketing services to new clients as dealing with administrative matters. “If we are not able to free relationship managers from the loss in valuable client-interacting time, we will not live up to the promise of being a trusted advisor.”

The second step is to re-skill relationship managers. “In Asia the industry is still young and rapidly expanding and there is an immediate need to make sure the culture of a firm is being instilled into the new joiners,” says Dr Monnet. Relationship managers need access to good training and the support of a reward system that incentivises the right kind of behaviour. This means the bank cannot simply assess financial indicators, but also the softer side of performance measurement, such as client satisfaction, Dr Monnet says.

While the private banking industry is very atomised, Credit Suisse will benefit from any flight to safety caused by market movements in the past 18 months, says Dr Monnet. Credit Suisse is one of the very few global banks where private banking is a core business and major contributor. Private banking generated 2.8 billion Swiss francs in net income and in total, 35 billion Swiss francs in net new assets this year. In Asia Pacific alone, the bank has been entrusted with net inflows of 7.7 billion Swiss Francs in the first nine months of this year, and 8.4 billion Swiss francs in net new assets through 2008. “We have the brand power, a commitment to global presence, a strong capital base, a solid talent pool as well as the IT infrastructure,” Dr Monnet says.

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