Digitalization and Price Discrimination

Subject

A wealth manager that advises wealthy private clients wants to reach out to a younger target group. This financial intermediary anticipates to grow assets and his client base, while also satisfying the demand for an appropriate solution for his client's children. Last but not least, the burdens from settlement, consultation protocols, and a shrinking margin, also in connection with future developments (e.g. Mifid2), were mentioned during the first meeting.

Starting with a market overview (FinTech, Robo Advisors), moving to an analysis of the wealth manager's current position in the market and finally assessing available resources, a digitalization strategy had to be developed.

Our Role

After a comprehensive analysis of the existing client structure, the service and product range (including potential external partners for new products or white labeling), and considering potential effects on the wealth manager's brand, a digitalization strategy was structured.

The final choice led to standard portfolios implemented with ETFs. The target group is well informed and has already consumed the positive associations with ETFs in the media. With standard portfolios, public transparency and therefore the opportunity to compare risk and return figures is given. Adding active funds can lead to a better performance but on the other hand, a wealth manager will have no reasoning in case of underperformance, especially for simple, long-term portfolios. Implementation with ETFs is cost efficient. A high level of automation - even of individualized content – can be realized.

QAP supported this client with expertise in ETF selection and portfolio construction. Further, we ensure the continuous calculation and adjustments through our portfolio bookkeeping logic (QAP BLIS).

Our suggested price policy and the target group directed marketing (e.g. age, wealth, values) aim to minimize cannibalization of the existing business. Beside the desired growth strategy, price discrimination can be achieved.