Wooing the Wealthy With Luxury Perks, Concierge Services

By Jeremy Quittner

Oak Brook Bank caters to its wealthiest clients at two new branches on Chicago's suburban North Shore with black-jacketed doormen, a private brand of bottled water, and tea served daily at 4 p.m. on bone china.

The bank also puts a fleet of Mini Coopers with drivers at clients' disposal for bank-related errands.

Though such concierge-type services may seem over the top, they are part of a trend in the area, where private banks are competing fiercely for customers.

"Banking has become very competitive in Chicago with so many out-of-state banks coming in," said Rose Bouman, the chief financial officer of the bank, a unit of the $2.2 billion-asset Oak Brook Bancshares in Illinois. "This is meant to pull in new customers. "We've done this as a way to make us look a little bit different," Ms. Bouman said. "We offer good products with great service, but everyone talks about the great service."

Oak Brook opened the two "Chicago Private Bank" branches last fall in Northbrook and Glencoe, where the average annual household income is about $200,000. The openings seem to be paying off. Since October the Northbrook branch has gathered $58 million of deposits, and the Glencoe branch $28 million, the bank said.

Matt Schott, a senior analyst for retail brokerage and wealth management at MasterCard International's TowerGroup in Needham, Mass., said that though bottled water and tea are unlikely to persuade customers to switch banks, they add a layer of service that increases current customers' loyalty.

Extra layers have become increasingly important for competing with family offices and multifamily offices, which for years have siphoned off the richest clients from private banks, he said.

Families with a net worth of $50 million or more sometimes set up a family office with their own money managers, wealth advisers, and managers of daily life. "Banks have lost a lot of control in this situation," Mr. Schott said.

Carol Pepper, the president of Pepper International, a wealth management consultancy and Internet-based family office in New York, agreed with that assessment. There are currently about 3,000 family offices in the United States, and the number is growing, she said.

"There has been an enormous exit out of private banking over the last few years," Ms. Pepper
said. "And private banks are scrambling to get these people back."

During the bull market of the 1990s many wealthy families became disenchanted with large private banks, particularly as they got involved in mergers and acquisitions, she said. "In many cases, mergers led to disruptions of the service the private clients received."

Some banks started focusing more on selling than service, she said. "There was a pressure on bankers to sell, and clients felt they were being sold something every five minutes."

Luxury services and other forms of attention "are the next level of the game," allowing private banks to differentiate themselves, according to Ms. Pepper.

Small banks are not the only ones offering higher levels of service to the wealthiest clients.

Wells Fargo & Co.'s private client services unit has focused on the elderly clients in its trust division, which manages $76 billion of assets.

About nine years ago Wells, then named Norwest Corp., started a program called Elder Services in Minneapolis, where the company had its headquarters.

Norwest saw a role for itself managing services such as home care, nursing, and filling prescriptions for its aging wealthy clientele, said David Coffaro, the managing director of trust and estate services for Wells Fargo Private Client Services.

"Families are geographically split more often than not, and someone will say: 'My mother is in Minnesota, and I am in Los Angeles, and I don't have time to manage her money, and she is in a senior apartment and may need assisted care. Can you help?' " Mr. Coffaro said.

The families generally keep about $1 million or more at the bank, and the service is covered by annual fees charged for the relationship, he said.

Wells provides care for aging family members by contracting with companies it has vetted that specialize in elder-care services, Mr. Coffaro said. Over time the program has expanded to cities including San Francisco (now Wells' home base), Los Angeles, Dallas, Scottsdale, Ariz., St. Paul, and Marquette, Mich., he said.

"The segmentation of the market is creating needs that in the past ... [bankers] may not have recognized as unique," Mr. Coffaro said. "I think banks really need to drill into those segments to understand them and not miss opportunities."

Citigroup Inc. of New York operates one of the world's largest private banks, managing $224 billion of assets, and it offers many types of noninvestment, concierge, and advisory services to its wealthiest customers.

Glenn Kurlander, the managing director of Citigroup Family Wealth Advisory Services, said he helps families with a net worth of $100 million or more create a mission statement, adopt a governance structure to resolve any internal conflicts, and protect what he calls the "social capital" of the family or its individual members while dealing with the issues that tremendous wealth brings.

"The most significant challenges [for them] are not the external ones, like minimization of transfer taxes or the structuring of trusts and estate plans," he said. "For many of these people the far greater challenge is from within them and their families – the internal challenges that relate to the impact that wealth has on them and their descendants."

By tackling these issues and providing these services, Mr. Kurlander said, the division provides "a
critical piece of retention and an important part of attracting new business."

Through its art advisory services division Citigroup helps wealthy clients start and manage art collections. That often means getting down to some of the basics for those with little knowledge of the art world, from scoping out artwork to buy at auction to hanging paintings and lighting them properly.

"This is very personal to our clients, because it is often the art that is hanging in their homes," said Suzanne Gyorgy, a vice president of art advisory services for the private bank. Citi charges a flat $30,000 a year for the service.

The bank also helps wealthy families manage their property, including farms, ranches, and vacation homes around the world. It can hire estate managers, housekeepers, and gardeners, maintain properties not in use, arrange for arcane services like tuning a harpsichord, and advise on the best home safe to install.

Once clients "experience this service, two things happen," said Sandra Stern, the managing director of Citi's multiple residence and farm advisory group. "They continue to call their banker and their wealth manager [at Citi], and they continue to use my services, year after year."

Vendors of concierge-type services to banks said demand for their offerings has increased dramatically in recent years.

Mary Naylor is the chief executive officer of VIPdesk Inc., an Alexandria, Va., outsourcer of concierge services such as luxury travel and vacations to financial services companies and other industries. She said her company, which served two banks five years ago, now serves 41, most of them among the top 100.

"We have seen an explosion of interest in luxury, high-end access," Ms. Naylor said. "People are interested in creating unique programs that are exclusive to them, from nightclub access to unique fine dining experiences," she said. "Personal concierge services are a must-have on the checklist of the value-added benefits" for banks to offer.

Mary Kearney, a director in Deloitte Consulting LLP's financial services industry practice in New York, agreed with that statement. "The broader a relationship you can have with your clients, and the more services you can provide them with, the greater their loyalty will be to you, and therefore the more successful your business will be," she said.

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