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Santander strives to strike balance between global reach and local presence

Victor Matarranz, Banco Santander

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Victor Matarranz, global head of wealth management and insurance at Banco Santander, reports how the bank's new business model is working out and looks ahead to a post-pandemic future

The integration of private banking, asset management and insurance activities has created "a lot of synergies" for Santander, in terms of investment processes, technology and products, says Victor Matarranz, global head of wealth management and insurance at Banco Santander. But the biggest benefit is the "ability to integrate businesses across geographies and put the whole bank in front of the customer".

Before the new structure was introduced in September 2017, the three businesses were working in silos. With the bank operating in 10 different countries, it was like dealing with 30 different units, explains Mr Matarranz, who has held various senior management roles at the Spanish institution, both in Europe and the US, since joining from consulting company McKinsey in 2012.

This "global connectivity" is particularly important in private banking, as it allows customers of Santander Private Banking, which manages €230bn ($272bn) in client assets, to bank "seamlessly" across countries. The new set up has generated more than €7bn in shared business across markets, over the past three years.

The brand harmonisation has been beneficial too. "With one brand, Santander Private Banking, across all geographies, the business is starting to gain relevance among global clients," reports Mr Matarranz. The private bank has started competing with global brands in many countries, especially in Latin America, where Santander has offices in Argentina, Mexico, Brazil, Chile and Uruguay.

Synergies

Positive outcomes have also emerged from the closer collaboration between the private bank and Santander Asset Management, which manages €182bn in assets. These are mainly sourced from retail and affluent customers, with private banking and institutional clients accounting for 20 per cent of its output.

As a joint initiative between the two businesses, the bank has built a global team focused on ESG investing and launched a thematic strategy, Future Wealth, investing in the three megatrends of future society, future tech and future planet. The umbrella fund, which also selects third party products, aims to promote clients' exposure to innovative companies, which are expected to provide higher growth and profitability in the long term, and has already gathered €4bn since its launch last November. Its 18 sub-themes include medical technology, robotics, energy transition and future transport.

"Because we have the scale and offer the strategy worldwide, we can negotiate the best investment products with the best terms for our customers," boasts Mr Matarranz.

Pulling together its local asset management businesses has enabled Santander Asset Management, whose core strengths lie mainly in Europe and Latin America, to establish strategic partnerships in areas where it has limited expertise, such as US equities. A new range of sub-advised funds, launched in 2019, are managed by heavyweights including Morgan Stanley for the North American equity fund, Pimco for the dynamic bond fund, and Amundi for the absolute return fund.

The private bank's closer collaboration with asset management is unlikely, though, to threaten its bank's open architecture approach, states Mr Matarranz. In fact, Santander's asset managers are "incredibly frustrated" because they feel their private banking colleagues do not sell enough in-house products. "I always tell them to focus on solutions that can add value."

Indeed, the asset management arm is becoming increasingly polarised. On one side, it runs investments for retail clients, mainly balanced funds and portfolios across different risk profiles. On the other, it builds sophisticated strategies for private banking and institutional clients.

The new set up has also allowed Santander Asset Management to increase its investments in technology, having recently completed the implementation worldwide of BlackRock's portfolio management software, Aladdin.

Right balance

For all its benefits, the integrated business model has also created several challenges. The many regulatory regimes around the world make it very hard to implement the global proposition. "We try to make it very easy for the customer, but for the bank it is very complicated," admits Mr Matarranz.

One constant struggle, he says, is to find the right balance between being a local bank and a global bank. "If I go too local, the bankers may not be able to cater to clients' global needs; if I go too global, they may not operate in the local country. It is a little bit of an art," he says. He feels Santander has a competitive advantage on many global banks, which may have a very clear, global proposition but lack the ability to meet clients' local needs.

"That combination of global and local is really what makes us unique and very strong in the geographies where we operate."

Growth strategy

Local banks, and especially their corporate divisions serving business owners, are a rich source of clients for the private bank. With the launch of the global proposition, cross country referrals have increased, and Santander Private Banking's profit from the family office segment has risen yearly by 25 per cent on average over the past three years.

Yet, the bank has further room to grow organically. "We still have market share gaps in all of our local units," acknowledges Mr Matarranz. His target for the combined division is to continue to grow at double digit rates, at 10 per cent above, across countries. This goal was achieved in the pre-pandemic years of 2018 and 2019, while 2020 results were flat overall.

To accelerate growth, acquisitions are firmly on the bank's agenda. "We are constantly looking for inorganic opportunities," he says. These are found mainly in businesses operating in countries where the Spanish bank is already present or those having commercial ties with Latin America.

This year, this strategy led Santander Private Banking to purchase the Miami business of Indosuez Wealth Management, part of Crédit Agricole, with $4.3bn in client assets, sourced from Latin America. The acquisition of the retail and private banking businesses of Deutsche Bank in Poland at the end of 2017 has made the Spanish institution the biggest private bank in the country.

With a presence in Spain, Portugal, the UK, Switzerland and Poland with the private bank, and Germany and Luxembourg with Santander Asset Management, Santander is more likely to pursue acquisitions in Europe, rather than the US, going forward.

Lessons from Covid

Looking to the future, Mr Matarranz believes digitalisation will continue to be a key area of focus. Digital tools and capabilities already in place before the pandemic allowed private bankers to continue to liaise with clients as soon as lockdowns were enacted, but Covid-19 social restrictions accelerated the progress towards digitalisation, with services such as digital signatures quickly introduced.

Yet, the pandemic has highlighted the limitations of virtual interaction. “It is very, very hard to acquire new private banking clients with remote means only, you really need the personal touch and relationship.” The need to start travelling and seeing clients in person has become increasingly clear during the crisis as months went by, as private bankers’ pipeline of clients rapidly exhausted.

Client referrals come about much easier when networking in person, he says, despite the bank organising a broad range of digital events during the pandemic, using some creative touches too. In some cases, virtual breakfast meetings even included delivering Spanish ham to clients.

During the pandemic, topics covered in events soon expanded from markets and investments to “softer” matters, to meet customer needs. A speech from tennis player Rafa Nadal, who is one of the bank’s ambassadors, was particularly appreciated by clients, as it focused on the importance of team work and the strength of spirit needed to overcome adversities.

“Digital events are great, as you attract many more customers and big speakers,” says Mr Matarranz, explaining they will continue to feature in the bank’s calendar. On the other hand, in person, intimate meetings with 10 to 20 clients are essential, as they allow private bankers to build relationships and deepen client knowledge.

People remain a key asset. “Private banking is a people business and you need to invest in people, talent, and diversity.” As was the case at many other banks, he says, Santander was “very much behind” in its diversity strategy, but its latest five-year plan pursues “real” diversity targets at group level.

Sustainable investing is another critical area for the bank, and Mr Matarranz feels it is important to keep investing resources and offer new products, with thematic investing clearly part of it.

The future will bring a more flexible way of working, and he expects the bank will move to a 70/30 working model, with people going to the office for 70 per cent of their time, and spending 30 per cent working from home, on average. But this split will vary significantly depending on the role and country.

For example, it is very important private bankers continue to meet in-person with investment advisers, to get creativity flowing, share customers’ interests, learn from each other and come up with ideas for new products. “All of that was very hard to do when working remotely.”

At the same time, many private bankers already travel extensively, for instance to meet their customers in Latin America, and tend to be mostly out of the office.

For all its devastating impact on people and economies, the lessons from Covid must not get lost, says Mr Matarranz. “The business model of the future is about keeping the good things from the past, and the good things from the pandemic.”