

Banks can use information and education to aid wealth advice

Malaysia's banks need to deliver scalable, high quality and unbiased investment advice to grow wealth management. Standard Chartered is doing so through data analytics, investor education and revised commissions, says Pramod Veturi.

Private banks in Malaysia must improve the quality of their wealth management advice and better tailor their services to a wider customer base, as the number of retail investors seeking wealth advice grows and the margins on retail investment products gradually tighten.

Standard Chartered is doing so by using data analytics from its financial services to better target wealth management services, gradually educating its wider retail client base about investment products, and ensuring its relationship managers are product neutral in their advice, says Pramod Veturi, the institution's head of wealth management and priority and international banking for Malaysia.

The bank has a substantial client base in Malaysia, but the penetration of wealth management services into this is currently low. This represents an ample opportunity for future growth.

By utilising data analytics and algorithms to sift through the masses of data on its customers' spending, borrowing and credit card information, Veturi says his wealth management advisers can determine what services might be useful to their clients and raise this penetration rate.

"We can technically assess whether an individual is making recurring payments of MYR2,000 (US\$538.94) every month for example, and define whether that is a mortgage payment or a credit card payment," he says.

"Based on that assessment we can build a very clear map of the client segment and the approach we make to offer relevant products and services."

The process isn't entirely automated, but having a structured and standardised approach can help advisers immensely. Veturi doesn't believe any other bank in Malaysia has developed



PRAMOD VETURI
Standard Chartered Bank

similar product analysis capabilities. "I don't think local banks see wealth management as a retail business," he

says. “I think most local banks still see this as a business for the wealthy.”

MASS MARKET EDUCATION

Using financial data to target people with relevant products is particularly important, given the mass market’s limited financial product understanding.

This limited knowledge may lead many to plump for faddish funds that promise high yields when it comes to investing. A big problem is that there simply isn’t enough of an economic incentive for banks to help raise education of non-HNW clients.

“We usually invite 50 mass and mass affluent clients who are between 30 and 45 years old, and a specialist will address all of them about the principles of investing, or what mutual funds represent, for example,” Veturi explains.

“During the same forum we try and get risk profiling done. In this way we are able to broad-base our advisory coverage in the most optimal manner.”

The bank is also tackling the widespread tendency of relationship managers (RMs) to push products with high front-end fees at mass affluent customers.

the last 10 years managing credit cards, personal loans, mortgages, transaction banking and retail banking businesses across Asia and the Middle East, and he now oversees the wealth product and advisory business across all customer segments in Malaysia.

GENERATIONAL ADVANTAGE

Despite its local growth in assets, the Malaysian operation of Standard Chartered has not avoided the bank’s broader profit issues.

Bloomberg reported in January that the bank would reduce headcount in Malaysia, as part of global attempts to cut US\$400 million in costs.

However, this partly fits its data- and technology-led strategy, including a desire to invest more in digital and mobile services as part of these cuts.

Standard Chartered has pursued a similar strategy of utilising relationships from other divisions to sell wealth products in other Asian countries, most notably India.

Veturi, who hails from Bangalore in India and has spent 17 years with Standard Chartered, has adapted some of these plans to better fit the Malaysia market. Another similar aspect to India is Standard Chartered’s longstanding relations with HNW individuals.

It has banked some HNW families for up to three generations, and Veturi believes these clients see the bank as a trusted adviser.

In a time of increasing competition, Veturi believes superior advice, education efforts and long-established relations with HNW clients will maintain Standard Chartered in good stead. ■

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“At the end of the day if a mass market client walks into the branch we do not have the economic model to support a specialised adviser who can go and advise him,” says Veturi.

“The amount of information that we would need to give to a high net worth or mass market investor in order for them to make an investment decision is similar.”

Standard Chartered is doing its best to meet this knowledge gap. The bank has begun offering pro-bono investment education sessions to its non-HNW retail investors, to help these people become better educated about financial products even as it better understands their preferences.

It has implemented a model that equally rewards its RMs across products and all asset classes, and encourages them to try and sell their clients full portfolio solutions.

Additionally, the RMs work closely with product experts, such as a treasury specialist or an insurance specialist.

“Standard Chartered [Malaysia] is outpacing the market in terms of year-on-year growth in wealth management assets,” he says. “These are some of the key points driving that growth.”

Combining client knowledge, technology and product choice well suits Veturi’s background and responsibilities at Standard Chartered. He has spent