

‘Differentiation’ is key for Axis Bank’s India wealth management

Wealth managers in India need a distinctive offering to gain a larger share of the country’s growing wealth. There are ‘four pillars’ on which Axis Bank aims to achieve that distinction, says Satheesh Krishnamurthy.

The growing wealth of domestic and non-resident Indians (NRIs) will enable banks to thrive, if they can provide a distinct, value-added offering. For Satheesh Krishnamurthy, head of Axis Bank’s affluent business, this means emphasising four key “pillars of value”.

By focusing on these pillars – people, product, research, and brand – Axis’ wealth management business has seen a much faster uptake from customers over the last 12 to 18 months.

However, rather than just add customers, which can be relatively easy in a market where most wealthy individuals are multi-banked, Axis aims to become their primary banker and wealth manager of choice.

“Our challenge is to make sure we are their principal bank,” Krishnamurthy says. “We have conversations with them about their overall banking requirements, business needs, investments,

credit and protection needs. If the products, research and service levels we offer surpass their expectations, they tend to increase their share of wallet with us.”

PEOPLE - ALIGNING INTERESTS

Axis Bank’s focus on people is core to the client experience it wants to offer.

“What distinguishes the top [wealth management] firms from the rest is how rigorous their commitment is to building skills and keeping them contemporary at all times,” Krishnamurthy explains. “The biggest challenge in the wealth management industry today is recruiting and retaining the right people, especially RMs (relationship managers). We have done radical work on both the technical side and the behavioural side [of staff] to ensure we have the best.”

The bank uses classroom and online training (by in-house and external specialists) to build the expertise of its RMs.



SATHEESH KRISHNAMURTHY
Axis Bank

Every RM has to go through this rigorous programme, in addition to the mandatory regulatory certification required, to be certified to distribute investment and protection products.

The bank also hosts daily calls with the investment research team and other industry experts to give all RMs their daily inputs and a quick overview of the Indian and global financial markets. There are also regular meetings between RMs and fund managers / product providers to ensure client-facing staff are fully-versed in the financial products they are distributing.

“This distinguishes our RMs on the ground from those of our competitors,” Krishnamurthy says. “Customers want to do business with banks that have a loyal pool of RMs. Even banks do not want to have to revisit their client with a new RM every six months.”

capitalise on this we need competent people,” he says. “If the pool is limited it hugely curtails our ability to do this.”

PRODUCT - DELIVERING VALUE

Product is the second cornerstone of Axis’ wealth management proposition.

Its flagship wealth management offering, branded ‘Burgundy’, was created eight months ago by combining Axis Wealth and the invitation-only Axis Privee into one unit.

“With Privee, we found most [market players] were using the same word in some form, so there was no distinction for customers,” Krishnamurthy recalls.

in direct equities through Axis Securities, meet their business fundraising needs through Axis Capital, and satisfy leverage requirements, including IPO funding and stock option schemes, through Axis Finance, he notes.

The bank also tries to provide the best products to its clients in a simple, seamless manner. There is an elaborate due-diligence and research process to distribute only the best investment products across all asset classes.

“The mutual fund platform includes only the top 12 asset management companies (AMCs) in India. At the same time, we also try and ensure that we have products that meet most of the financial requirements of our clients. Together these 12 firms represent 80+% of the industry AUM,” he adds.

For Krishnamurthy, however, it is not just about providing investment options.

“We need align the interests of the client, the company and the RM. We are fine-tuning the compensation model to reward RMs who have a larger book.”

“We need to make sure that we align the interests of the client, the company and the RM. We are fine-tuning the compensation model to reward RMs who have a larger book, which gets built up over a period of time.”

Krishnamurthy aims to retain talent by creating strong career paths for vintage RMs who want to move up to become branch heads or other business segments, and has introduced awards and recognition for RM achievements.

The development of talent is vital not just for institutions like Axis, but for the entire wealth management industry in India, he believes. “There is a very big market here, and for the industry to

“In our consumer research one of the key attributes of the bank’s brand was its colour being regarded as exclusive and having stature. These were the evocations that we wanted the offering to have.”

Burgundy targets customers with wealth of at least USD1 million, including their primary residences. Currently, they must have a relationship worth at least USD50,000 with Burgundy.

Krishnamurthy says wealth management should meet a client’s financial requirements on a single platform. Burgundy exemplifies this principle. Clients can do their banking and investments through the retail bank platform, invest

“The bank also provides protection solutions – through its life and non-life insurance partners. We also try to ensure our debit and credit cards, and our forex card for people travelling abroad, are best in class,” he says.

“We have partnered with Visa on credit cards where customers do not have a pre-set spending limit and there is an algorithm at the back end which constantly evaluates their spending characteristics to determine credit lines.”

Several wealth management firms may provide investment and other products. However, integrating them on a common platform is key from a client’s perspective. Axis Bank is the only bank which provides its clients with a ‘One Glance Statement’ that consolidates their relationships across savings and

current accounts; deposits; overdraft accounts; demat accounts; investments and insurance products purchased through the bank; multi-currency travel currency cards; loans; and credit cards.

In terms of target clients, Krishnamurthy believes there are two main opportunities – domestic affluence and the growing wealth of NRIs.

MAKING RESEARCH COUNT

Research is the third pillar on which Axis builds value.

The bank has an elaborate process for conducting research and due diligence for all the wealth management products that it distributes to its clients. A quarterly report is sent to all clients with the bank's views on the macro variables and various asset classes. It also covers key events like the Union Budget and monetary policy announcements.

In 2012, Axis Bank launched Axis Capital, the investment banking arm of Axis Bank. This was a result of the successful integration and completion of prescribed legal processes for the transfer of the financial services business of Enam Securities Private Limited (Enam) to Axis Bank. This merger was in line with the bank's strategy of continuously expanding its product and service offerings to its customers to deepen its relationships and value differentiators.

With Axis Capital, the Bank achieved the objective of creating one of India's leading financial services powerhouse with expertise in the investment banking, equities, debt capital markets and the commercial banking franchise. Axis Capital, along with the bank, creates a complete bouquet of financial products and services for corporate, institutional and individual clients that

enhances the ability of the combined entity to better serve client needs in a seamless manner across product categories and geographies.

BUILDING A BRAND

Brand is the fourth critical element of Axis' proposition, as it is essential to the bank expanding its customer base. It has held special events for Burgundy clients, including opportunities to meet fund managers on the bank's platform to get their views on financial markets. "We also have special events that cater to the tastes of our clients and make sure they have time to pursue their passions through us," Krishnamurthy adds.

In practical terms, the wealth management business aims to gain customers from other parts of the bank through a dedicated acquisition channel. "We could lend to a customer to buy a Ferrari, or give them a USD2 million mortgage, and this would trigger a meeting where we would try to encourage the client to allocate their entire wealth to us," Krishnamurthy says.

FUTURE PROOFING

Axis is also preparing for future business models, both in terms of the ways in which it interacts with clients and how it can use technology to better facilitate these relationships.

Fee-for-advice services will be a vital element of this, according to Krishnamurthy. However, he says for now this is a relatively small part of Axis' business. "The model for most banks is as a distributor. We have a small pool of customers willing to pay for advice. Very niche players, including some boutique firms, offer the advisory model."

A focus on digital is another element of Axis' forward-looking approach, accord-

ing to Krishnamurthy. "We are extremely bullish around participating in the digital journey for wealthy Indians. We are constantly evaluating how customers can experience our offerings via digital and how we can innovate."

The bank also aims to use big data to segment customers to tailor investment solutions to their stage of life. "The future will belong to proactive solution providers," Krishnamurthy says. "If I look at your previous consumer behaviour and determine you will need a leverage product, and can offer it before everybody else, there is a 'white space' opportunity to monetise this."

Commitment to legal and compliance probity is an issue that Axis believes can also add to its business. "Regulations are the most important element of any banker's life today. It is critical to not only follow the rulebook by the word, but also the spirit of the regulation," Krishnamurthy says.

The bank holds monthly meetings to review cases that could be red flags for its business, has introduced a series of checks and balances for 'outlying events', and is in constant touch with regulators about how it can evolve its business model in a "controlled fashion".

"We stand strongly by our compliance culture. It is one of our core values," he says. "We are very clear to customers about the nature of our products, the risks involved, and the prior returns."

"All of this very clearly speaks to the core philosophy of Axis – 'Progress On'. We are there to participate in the progress of clients' lives. Our story will not be complete if we are not able to get a substantial market share in the top layer of wealth," Krishnamurthy explains. ■