Five steps to the right advisory proposition in Thailand

Industry leaders and product gatekeepers in the country's wealth and asset management communities outline five steps for wealth managers to take in their conversations with clients, to help them become more effective in this fast-growing market.

Changing demographics, rising incomes and progressive regulation in relation to investing are transforming the wealth and asset management industries in Thailand.

As a result, and in line with the growth in the country's HNW population, the role of wealth managers is expected to gain ever-greater prominence.

But for them to be successful, superior service, excellent product understanding and a deeper insight into clients' needs are essential. And such skills and knowledge will separate the best advisers.

Ultimately, wealth managers and organisatins need key capabilitiesto be able to capitalise on this opportunity.

- Put client interests first
- Match investor profiles to solutions
- Focus on asset allocation
- Offer the right platform
- Improve cost efficiency

And in line with these, the need to train and educate the front-line and other key staff in Thailand in these ways has therefore become pressing.

1. PUT CLIENT INTERESTS FIRST

As Thai clients become more educated in terms of the options for managing their wealth, they will no longer be satisfied with plain vanilla offerings such as deposits. They will increasingly demand more sophisticated solutions and investments.

In line with this, wealth managers need to help clients take appropriate action depending on their risk profiles and return expectations.

Market practitioners acknowledge that the industry has let clients down in some ways by not providing the right services and pushing inappropriate products. Rebuilding investor confidence can only be done, therefore, by being transparent and having the conversations with clients which start by putting their interests first.

2. MATCH INVESTOR PROFILES TO SOLUTIONS

The domestic market has a certain number of offerings, ranging from low-risk fixed income funds to higher-risk equity funds.

Wealth management firms need to have an in-built approach to risk management, which should be fully understood by each adviser.

As every client has a different profile, it's key to understand the requirement of that individual, to be able to provide advice on the most suitable product or solution.

Tied to this, it is fundamental as part of efforts to improve the overall credibility of the domestic wealth management industry that client advisers abstain from pushing bad products.

For instance, the drive in 2016 to promote healthcare funds, which performed badly, was an ill-advised move, according to some market participants.

Such actions should be avoided going forward, to prevent tarnishing the industry's reputation.

3. FOCUS ON ASSET ALLOCATION

Industry specialists say that a good understanding and awareness of market conditions is also important for wealth managers to have higher-quality conversations with their clients.

Despite their financial well-being, many Thai clients still lack experience in financial products beyond the basics such as bank deposits.

Often, investors don't fully understand the risks they are taking.

It is therefore part of a wealth manager's responsibility to encourage clients to look at what they buy from an asset allocation and long-term investment goals point of view.

This approach is also more likely to spur the growth – in a more sustainable manner – of vehicles such as mutual funds, in turn preventing clients from getting lured by short-term performance.

At the same time, there is a growing realisation that product solutions should be aligned with the specific needs of clients – including wealth planning and succession.

Wealth managers need to properly understand how to take this kind of holistic approach.

4. OFFER THE RIGHT PLATFORM

The concept of an 'open architecture' platform is slowly gaining more ground in Thailand.

While global institutions such as Standard Chartered Bank and Citibank already do this, more local institutions, including TMB Bank and Tisco are also embracing this approach.

Such a model provides investors with the opportunity to diversify their investments by giving them more access to products offered by various players in the industry.

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While this type of offer is largely confined to high-end clients only, the industry realises the need to make this architecture more widespread.

Tied to this, wealth managers need to redefine and up their game when it comes to digital strategies.

Indeed, some participants suggest the use of social media platforms like Facebook and Twitter as potentially effective outlets for reaching clients and increasing awareness of product offerings.

5. IMPROVE COST EFFICIENCY

As the Thai wealth management industry grows in size, cost structures will increasingly come under the spotlight to separate which organisations have viable models. Many senior executives within banks, in particular, believe there is scope to bring down overheads and improve efficiencies.

While there is no denying that costs have already fallen to a certain extent over the years, there is room to lower them further through focusing on the operational aspects of the business. Indeed, the global trend is that as the wealth management industry matures within a country, it becomes more cost efficient. But there is still some way to go in Thailand on that front, especially when it comes to products such as mutual funds.

Currently, the average expense ratio for an equity fund in the country is between 1.8% and 2.2% – which is on the higher side compared with other markets in the region. Even the cost of money market funds is higher (40 to 50 basis points) compared with 20 basis points in other markets, according to some participants.

Lower cost structures will also increase the adoption of products such as mutual funds, which should boost the growth of the broader wealth industry. ■