How can we really deliver value to our clients?

Everyone in wealth management talks about the importance of knowing clients well enough to differentiate themselves and 'add value'. But this requires a commitment to quality of advice and a conducive business model to build trust over time.

Giving clients what they want is far easier said than done when dealing with Asia's wealthy.

While clients' needs are getting more complex, yet their access to information is lightning fast and their understanding of what's available more sophisticated, too many wealth managers still approach them in a short-term fashion.

It is not just about getting more AUM, but rather understanding the emotional value they place on their wealth. Without this, the client won't be able to differentiate the approach that one firm takes compared with another.

This requires firms – and individual bankers and advisers – who care, plus are competent. They need to know the client properly, including their needs and aspirations, to be able to help them achieve their goals.

Meanwhile, while knowing the customer is a fundamental principle of good wealth management, it is important for organisations and bankers to also know themselves.

This translates to understanding their core competence, and ensuring they have what it takes to deliver to customers what they are looking for.

Further, with an environment which is increasingly holding advisers accountable for any advice they give to a client, this should lead to a change in the way they approach the relationship and what they recommend.

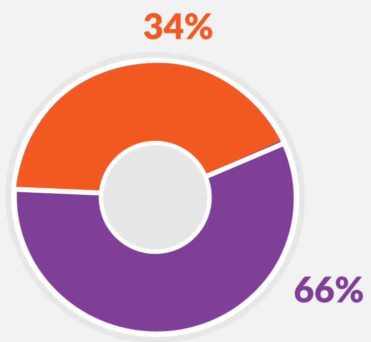
This is according to several senior industry practitioners, representing a mix of organisations across private banking, retail banking, single and multi-family offices, insurance and fiduciary services – speaking at the 7th annual Hubbis event in Hong Kong.

Panel speakers

- ***Vincent Chui**, Managing Director, Head of Asia Institutional Equity Distribution & Private Wealth Management, Morgan Stanley*
- ***Anthonia Hui**, Chief Executive Officer, AL Wealth Partners*
- ***Malik Sarwar**, Global Head of Sales Management, Group Wealth Management, HSBC*
- ***Tuck Meng Yee**, Partner, JRT Partners*
- ***Thomas Young**, Head of High Net Worth Business, Generali*
- ***Debby Davidson**, Group Business Development Director, Asia, Equiom Group*

Vincent Chui, Morgan Stanley

IS OVER-REGULATION KILLING PRIVATE BANKING IN ASIA?



Source: Hubbis Asian Wealth Management Forum 2017 - Hong Kong

Anthonia Hui, AL Wealth Partners

WELL-PLACED

Ultimately, adding value means showing 'tough love' to prevent a client from panicking and either going into 'flight' or 'freeze' mode depending on market movements.

Even if this means doing less business with a client, it engenders more trust in the long run. After all, risk management is key to preserving wealth.

In line with this, there are clear signs of slow but gradually increasing demand for independent/external asset managers and multi-family offices.

The kind of flexibility and deeper understanding of client expectations which characterises many of these organisations means they are able to offer a variety of solutions.

This includes meeting clients' needs for services from their wealth manager which might include, for example, pre-IPO investments, leverage and financing for non-bankable assets and club deals.

Further, other services that clients are seeking include succession planning. And for entrepreneurs, in particular, corporate finance solutions are relevant.

What should also be increasingly relevant are insurance products to offer clients their much-needed protection as part of a needs-based conversation. And wealth managers need to step out of their comfort zone to have such a discussion.

Malik Sarwar, HSBC

At the other end of the spectrum, industry practitioners believe that some of the big global banks are also in a position to add value alongside the boutique wealth providers.

This is viable with sharper segmentation, based not just on size of client portfolio but also on their sophistication, life stage and generational needs.

At the same time, although some HNW clients remain with the international banks due to reputation and credit risk, local institutions are capitalising on the varied needs of the generation of 'new' money.

Tuck Meng Yee, JRT Partners

Sharper segmentation [is needed], based not just on size of client portfolio but also on sophistication, life stage and generational needs

A REGULATORY FAVOUR?

For any model, however, there is little doubt about the sustainability of a more holistic approach to money management that includes banking, borrowing, investing and insurance, according to speakers.

This needs to be done within the context of an asset-based approach to charging fees.

And in this respect, some industry players believe the regulators are helping bankers to be more client-centric by fostering a culture which looks beyond transaction-based commission towards fee-based solutions.

However, this is also linked to how and why customers are behaving in a certain way – not always about how the banks charge for their services.

The mind-set among clients in Hong Kong, in particular, will take some time to change, given they are very fee sensitive.

Yet recognition for some of the independent players of the advice-based fee model comes from those clients who are also business people.
They place value in a service they consider to be of high quality.

Thomas Young, Generali

Delivering what clients need will always enable a wealth manager to come to an understanding with a client about how they can get paid for their service.

Debby Davidson, Equiom Group

Yet the quality of advice doesn't improve purely because of regulations; it still depends for clients on who they are dealing with. So it isn't the regime itself which is the cure, but rather the enforcement of that regime.

On the flipside, there is a feeling among some industry practitioners that over-regulation is killing private banking in Asia.

For example, concerns over what they can say to clients potentially makes bankers too frightened to deliver advice with any conviction.

This comes back to knowing the client properly. Combining this with strict adherence to the complex rules now in place is not a stumbling block.

It also becomes obvious to advisers if they are doing a good job. From a relationship level, a banker knows when they are the first call from a customer, or if they are being invited to a client's family event, or when that clients starts to share family secrets or insights.

It becomes obvious to advisers if they are doing a good job. From a relationship level, a banker knows when they are the first call from a customer

Secondly, wealth management firms need to ensure they provide product excellence.

The regulatory-led demand for transparency means it isn't possible to charge for certain products. This requires a high degree of product excellence, therefore, to be able to make money and manage risk to the extent that clients are willing to pay for the service. ■