

HOW TO ENHANCE THE PRODUCT OFFERING IN INDONESIA

A GREATER FOCUS ON ASSET ALLOCATION, COMBINED WITH MORE EDUCATION AND TARGETED ADVICE ABOUT HOW THE PRODUCTS ON OFFER CAN MEET INDIVIDUAL NEEDS AND EXPECTATIONS, IS REQUIRED TO DEVELOP PRODUCT PLATFORMS IN INDONESIA, SAID PANELISTS AT HUBBIS' INDONESIAN WEALTH MANAGEMENT FORUM 2013 IN JAKARTA IN LATE OCTOBER.

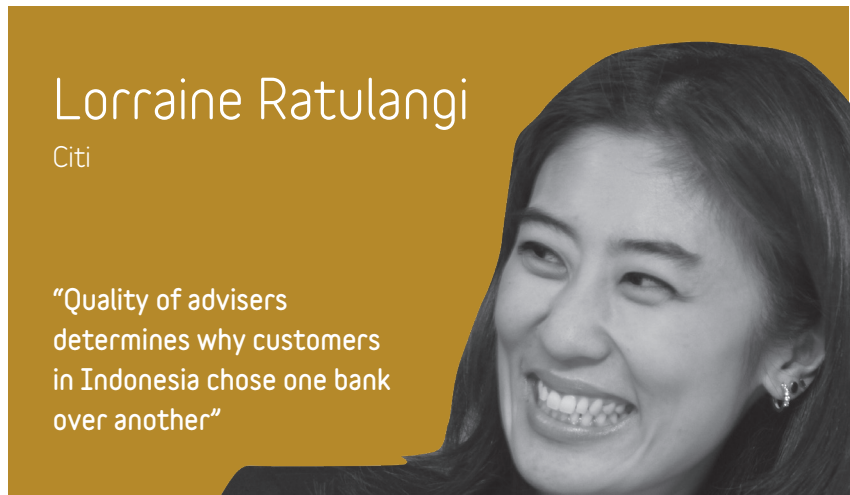
The last six months has seen significant demand from clients across the wealth management sector for capital protected products – followed by appetite for fixed deposits and some real estate – according to audience polling of delegates at Hubbis' Indonesian Wealth Management Forum 2013 in Jakarta in late October.

Clients want as high a fixed return as they can get without excessive risk, so opt for the these instruments, said Vera Margaret, wealth management and private banking product group head, preferred, private, wealth management & consumer liabilities, at Bank CIMB Niaga.

Capital protected products offer a "safe haven" in this respect, added Lorraine Ratulangi, investment and treasury product head at Citi.

Plus, given that clients expect an inflationary environment in the years to come, they want to lock in returns now via capital protected products, said Rheza Karyanto, head of investment, bancassurance, and treasury products for Commonwealth Bank.

However, Ratulangi said many of the bank's clients have been showing a



Lorraine Ratulangi

Citi

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lot of interest in mutual funds to fulfill their financial objectives within their specific risk profile.

And this enables Citi to cover more asset classes – fixed income, money markets and equities, she explained.

CREATING A BETTER PLATFORM

Some speakers said the issue isn't the lack of products available, but the range could be widened, such as underlyings for treasury products.

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More importantly, is the ability to strengthen the product platform, said Ratulangi, for example through investment research and advisory to further tailor offerings for clients.

Out of 4 million customers at Bank CIMB Niaga, for example, only a handful of them really understand the investment objectives of products and how to construct their portfolios with various products to meet their goals, said Margaret.

This was aligned with the broader views of the audience that a key differentiator in relation to a firm's offering is more about the quality of advice than the specific products themselves.

Since the types of products available are generally the same from one bank to the next, Garry Frenklah, co-founder and chief executive officer of Real Assets Exchange, said the main point of difference is the quality of the individual providing the service.

"Quality of advisers determines why customers in Indonesia chose one bank over another," said Ratulangi.

This includes the breadth of coverage and research offered, along with tools



available to review portfolios and analyse the suitability of different options.

A GREATER NEED FOR ASSET ALLOCATION

According to the panel, there also needs to be a greater focus on asset allocation and model portfolios.

"We, as is the same for most banks, are focused on asset allocation models for each client segment, based on their different risk profiles," said Margaret.

This is particularly important given the limited differentiation in terms of the individual products that are available, she explained.

Understanding client behaviour and their needs is key to this, as is finding products that can perform in a variety of market environments.

"We have a team that constantly looks at developing products and strategies that can suit all types of clients depending on their risk appetite," explained Karyanto.

SETTING EXPECTATIONS

Inevitably, clients want investment performance and returns. But ensuring the terms and conditions of the products are delivered is also essential.

In addition, it is important provide much more education about advisory services, added Ratulangi. "It isn't just about striving for spectacular returns, but also the need for stability in terms of those returns," she added.

Further, while clients in the retail segment might be satisfied with conven-



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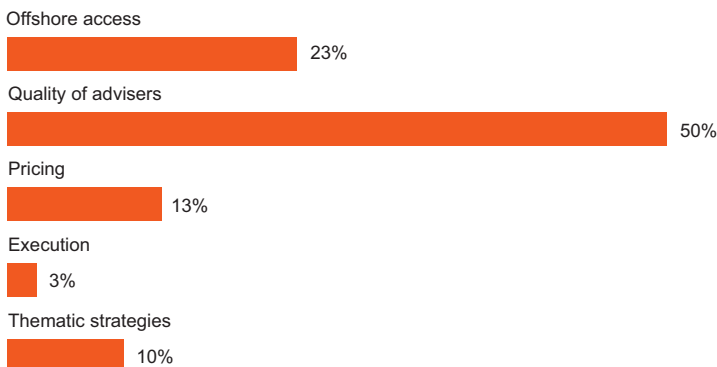
tional products and getting easy access, said Karyanto, the expectations of priority and private banking clients is for a greater sophistication of products along with higher service levels.

The issue with all clients, across all markets, however, is that they want guaranteed high returns with no risk on their principal, said Frenklah.

"The main way for wealth managers to add value," he explained, "is to turn from a salesperson to a solution provider, and gain client trust by showing them something other bankers don't."



THE KEY DIFFERENTIATOR FOR PRODUCT OFFERINGS IN INDONESIA



Source: Hubbis Indonesian Wealth Management Forum 2013

structures as part of the overall product offering.

"The reason why succession devices and related vehicles to hold assets are so important in the banking arena is that they provide a point of difference for those organisations which can do them well," said Hinkley.

That also creates more scope to reach out to clients, he added.

He explained that it provides effective ways for bankers to get to know their clients better and therefore deepen their relationships. ■

POPULARITY GROWS FOR WEALTH PLANNING STRUCTURES

There is also emerging appetite for offshore – and to a certain extent onshore – wealth planning solutions such as trusts, wills, foundations and life insurance, said Marcus Hinkley, group partner and head of Singapore office for law firm Collas Crill.

A sentiment poll of the audience also highlighted growing interest in such

